

**KUO TOONG INTERNATIONAL CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2024 AND 2023
WITH
REPORT OF INDEPENDENT AUDITORS**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of KUO TOONG INTERNATIONAL CO., LTD. as of and for the year ended 31 December 2024 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, KUO TOONG INTERNATIONAL CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

KUO TOONG INTERNATIONAL CO., LTD.

By Hung, Ya-Man

Chairman

11 March 2025

Independent Auditors' Report Translated from Chinese

To KUO TOONG INTERNATIONAL CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of KUO TOONG INTERNATIONAL CO., LTD. ("the Company") and its subsidiaries (the "Group") as of 31 December 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2024 and 2023, and notes to the consolidated financial statements, including the summary of significant accounting policies (together "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2024 and 2023, and their consolidated financial performance and cash flows for the years ended 31 December 2024 and 2023, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China on Taiwan.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China on Taiwan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China on Taiwan (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2024 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Operating Revenue

For the years ended 31 December 2024, the Group's public work construction revenue amounted to NT\$3,730,594 thousand which constituted 71% of total consolidated revenue, and is significant to the Group's consolidated financial statements. Because public work construction revenue is gradually satisfied over time and recognize revenue by degree of completion while the degree of completion is measured as the cumulative cost incurred as a proportion of the estimated total contract cost. The assumptions used in relation to the estimated total contract costs may involve significant management estimates and judgements, therefore we determined this as a key audit matter.

Our audit procedures included but not limited to assessing the timing and accuracy regarding the recognition of construction revenues and costs; selecting samples of significant contracts and interviewing management to understand the specific clauses involving recognition of revenue in each significant contract; selecting samples to test the rationality of estimated amount about total cost of contracts, the degree of completion of contracts, the reasonableness of the variable consideration of contracts and onerous contract losses; check the relevant vouchers of the current cost and expenses to confirm the correctness of the current construction in progress; recalculate the completion percentage to confirm the rationality of the recognition of revenue.

We also assessed the adequacy of disclosures of public work construction revenue. Please refer to Notes V and VI to the Group's consolidated financial statements.

2. Contingent Liabilities – Fines to Overdue Construction

Kuo Toong Group's main business operations include engineering contracts signed with customers. The possible fines for overdue projects involve significant estimates and judgments, therefore, they are considered key audit matters.

Our audit procedures included selecting samples of significant contracts and interviewing with management to understand the clauses of breach of contract regarding overdue construction; reviewing the communication documents between the Group and the owners and the mediation meeting minutes from authorities, and reviewing the management's assessment documents and the lawyers' opinions on major disputes to assess whether the Group disclosed contingent liabilities appropriately.

We also assessed the adequacy of disclosures of contingencies. Please refer to Notes V and IX to the Group's consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China on Taiwan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing of the Republic of China on Taiwan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Standards on Auditing of the Republic of China on Taiwan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2024 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

KUO TOONG INTERNATIONAL CO., LTD. has prepared parent company only financial reports in 2024 and 2023, and the auditor's report with unqualified opinions were issued by auditors, that have been filed for reference.

Hong, Kuo Sen

Yao, Shih Chieh

Ernst & Young, Taiwan

11 March 2025

Notice to Readers

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China on Taiwan.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2024	31 Dec. 2023
Current Assets			
Cash and cash equivalents	IV/VI.1	\$959,415	\$1,195,292
Current financial assets at amortised cost	IV/VI.3 、 21/VIII	1,488,753	937,552
Current contract assets	IV/VI.20 、 21	1,967,388	2,142,798
Notes receivable, net	IV/VI.4 、 21	46,826	7,785
Accounts receivable, net	IV/VI.5 、 12 、 21/VIII	522,804	522,336
Other receivables	VI.6/VII	4,312	907
Current inventories	IV/VI.7	330,425	306,023
Other current assets	IV/VI.8	556,983	294,160
Construction deposits paid		31,987	27,563
Total current assets		5,908,893	5,434,416
Non-current assets			
Non-current financial assets at fair value through other comprehensive income	IV/VI.2	871,549	637,087
Non-current financial assets at amortised cost	IV/VI.3 、 21/VIII	39,200	107,694
Property, plant and equipment	IV/VI.10/VIII	534,279	422,888
Right-of-use assets	IV/VI.22/VIII	24,006	24,857
Intangible assets	IV/VI.11 、 12	1,685,807	1,671,304
Deferred tax assets	IV/VI.26	28,629	27,413
Guarantee deposits paid		23,404	52,099
Long-term accounts receivables	VI.5 、 6 、 12/VIII	4,223,179	3,410,594
Other non-current assets, others	IV/VI.8	35,938	42,215
Total non-current assets		7,465,991	6,396,151
Total Assets		\$13,374,884	\$11,830,567

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31 December 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2024	31 Dec. 2023
Current liabilities			
Current borrowings	IV/VI.13/VII	\$763,345	\$301,500
Short-term notes and bills payable	IV/VI.14	70,000	50,000
Current contract liabilities	IV/VI.20	384,517	67,636
Notes payable	IV	180,430	149,663
Accounts payable	IV	572,321	593,180
Other payables	IV/VI.15	280,049	220,657
Current tax liabilities	IV/VI.26	87,723	243,789
Current lease liabilities	IV/VI.22	4,376	5,314
Bonds payable, current portion	IV/VI.16	249,995	-
Long-term borrowings, current portion	IV/VI.17/VII	495,350	285,400
Other current liabilities, others		8,309	5,509
Total current liabilities		<u>3,096,415</u>	<u>1,922,648</u>
Non-current liabilities			
Bonds payable	IV/VI.16	-	249,802
Non-current portion of non-current borrowings	IV/VI.17/VII	1,844,645	1,905,681
Deferred tax liabilities	IV/VI.26	342,419	321,702
Non-current lease liabilities	IV/VI.22	18,248	20,300
Net defined benefit liability, non-current	IV/VI.18	798	5,918
Other non-current liabilities, others	IV	19,968	21,759
Total non-current liabilities		<u>2,226,078</u>	<u>2,525,162</u>
Total liabilities		<u>5,322,493</u>	<u>4,447,810</u>
Equity attributable to owners of parent			
Share capital	IV/VI.19		
Ordinary share		2,480,782	2,480,782
Capital surplus	IV/VI.19	1,470,181	1,470,181
Retained earnings	IV/VI.19		
Legal reserve		534,164	463,673
Special reserve		355,360	205,904
Unappropriated retained earnings		1,650,275	1,401,779
Total retained earnings		<u>2,539,799</u>	<u>2,071,356</u>
Other equity interest	IV/VI.25		
Exchange differences on translation of foreign financial statements		(90,738)	(89,822)
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		(105,674)	(265,538)
Total other equity interest		<u>(196,412)</u>	<u>(355,360)</u>
Total equity attributable to owners of parent		<u>6,294,350</u>	<u>5,666,959</u>
Non-controlling interests	IV/VI.19 & 28	<u>1,758,041</u>	<u>1,715,798</u>
Total equity		<u>8,052,391</u>	<u>7,382,757</u>
Total liabilities and equity		<u>\$13,374,884</u>	<u>\$11,830,567</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended 31 December 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

Items	Notes	2024	2023
Operating revenue	IV/VI.20/VII	\$5,245,526	\$4,132,263
Operating costs	IV/VI.7、11、23/VII	(3,901,383)	(2,563,423)
Gross profit from operations		1,344,143	1,568,840
Operating expenses	IV/VI.11、22、23/VII		
Selling expenses		(4,616)	(2,241)
Administrative expenses		(213,320)	(205,239)
Research and development expenses		(28,717)	(30,674)
Impairment loss determined in accordance with IFRS 9		-	(107)
Total operating expenses		(246,653)	(238,261)
Net operating income		1,097,490	1,330,579
Non-operating income and expenses			
Other income	VI.24	26,946	18,742
Other gains and losses	VI.24	23,182	(228,426)
Finance costs	VI.24	(17,313)	(17,058)
Total non-operating income and expenses		32,815	(226,742)
Profit from continuing operations before tax		1,130,305	1,103,837
Tax expense	IV/VI.26	(221,155)	(290,089)
Profit		909,150	813,748
Other comprehensive income (loss)	IV/VI.25		
Components of other comprehensive income that will not be reclassified to profit or loss			
Gains (losses) on remeasurements of defined benefit plans		4,193	(11,205)
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		159,864	(146,326)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(839)	2,241
Components of other comprehensive income that will be reclassified to profit or loss			
Exchange differences on translation		(916)	(3,130)
Other comprehensive income (loss), net of income tax		162,302	(158,420)
Total comprehensive income		\$1,071,452	\$655,328
Profit attributable to:			
Profit, attributable to owners of parent		\$837,206	\$713,870
Profit, attributable to non-controlling interests		71,944	99,878
		\$909,150	\$813,748
Comprehensive income attributable to:			
Comprehensive income, attributable to owners of parent		\$999,508	\$555,450
Comprehensive income, attributable to non-controlling interests		71,944	99,878
		\$1,071,452	\$655,328
Earnings per share (NTD)	IV/VI.27	\$3.37	\$2.88
Basic earnings per share	IV/VI.27	\$3.36	\$2.86
Diluted earnings per share			

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

Items	Equity attributable to the parent company								Non-controlling interests	Total equity		
	Ordinary share	Capital surplus	Retained earnings		Other equity		Subtotal					
			Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income					
Balance as of 1 January 2023	\$2,480,782	\$1,470,181	\$399,779	\$249,554	\$965,195	\$(86,692)	\$119,212	\$5,359,587	\$1,640,670	\$7,000,257		
Appropriation and distribution of 2022 retained earnings:												
Legal reserve appropriated	-	-	63,894	-	(63,894)	-	-	-	-	-		
Cash dividends of ordinary share	-	-	-	-	(248,078)	-	-	(248,078)	-	(248,078)		
Reversal of special reserve	-	-	-	(43,650)	43,650	-	-	-	-	-		
Profit for the year ended 31 December 2023	-	-	-	-	713,870	-	-	713,870	99,878	813,748		
Other comprehensive income for the year ended 31 December 2023	-	-	-	-	(8,964)	(3,130)	(146,326)	(158,420)	-	(158,420)		
Total comprehensive income	-	-	-	-	704,906	(3,130)	(146,326)	555,450	99,878	655,328		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(24,750)	(24,750)		
Balance as of 31 December 2023	<u>\$2,480,782</u>	<u>\$1,470,181</u>	<u>\$463,673</u>	<u>\$205,904</u>	<u>\$1,401,779</u>	<u>\$(89,822)</u>	<u>\$(265,538)</u>	<u>\$5,666,959</u>	<u>\$1,715,798</u>	<u>\$7,382,757</u>		
Balance as of 1 January 2024	\$2,480,782	\$1,470,181	\$463,673	\$205,904	\$1,401,779	\$(89,822)	\$(265,538)	\$5,666,959	\$1,715,798	\$7,382,757		
Appropriation and distribution of 2023 retained earnings:												
Legal reserve appropriated	-	-	70,491	-	(70,491)	-	-	-	-	-		
Special reserve appropriated	-	-	-	149,456	(149,456)	-	-	-	-	-		
Cash dividends of ordinary share	-	-	-	-	(372,117)	-	-	(372,117)	-	(372,117)		
Profit for the year ended 31 December 2024	-	-	-	-	837,206	-	-	837,206	71,944	909,150		
Other comprehensive income for the year ended 31 December 2024	-	-	-	-	3,354	(916)	159,864	162,302	-	162,302		
Total comprehensive income	-	-	-	-	840,560	(916)	159,864	999,508	71,944	1,071,452		
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(29,701)	(29,701)		
Balance as of 31 December 2024	<u>\$2,480,782</u>	<u>\$1,470,181</u>	<u>\$534,164</u>	<u>\$355,360</u>	<u>\$1,650,275</u>	<u>\$(90,738)</u>	<u>\$(105,674)</u>	<u>\$6,294,350</u>	<u>\$1,758,041</u>	<u>\$8,052,391</u>		

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

Items	2024	2023	Items	2024	2023
Cash flows from operating activities:			Cash flows from investing activities:		
Profit before tax	\$1,130,305	\$1,103,837	Acquisition of financial assets at fair value through other comprehensive income	(70,753)	-
Adjustments:			Acquisition of financial assets at amortised cost	(482,707)	(172,792)
Adjustments to reconcile profit (loss):			Acquisition of property, plant and equipment	(170,419)	(106,895)
Depreciation expense	58,594	51,940	Proceeds from disposal of property, plant and equipment	9,068	-
Amortization expense	87,090	76,941	Decrease in refundable deposits	24,271	65,974
Expected credit loss	-	107	Acquisition of intangible assets	(105)	(1,713)
Interest expense	17,313	17,058	Acquisition of use-of-right assets	(2,394)	-
Interest income	(19,462)	(10,918)	Increase in other non-current assets	6,277	(10,968)
(Gain) loss on disposal of property, plan and equipment	(2,118)	1,694	Net cash flows (used in) investing activities	<u>(686,762)</u>	<u>(226,394)</u>
Property, plan and equipment transferred to expenses	-	4,261			
Impairment loss on financial assets	-	219,806	Cash flows from financing activities:		
Impairment loss on non-financial assets	-	2,498	Increase in short-term loans	979,785	593,034
(Gain) on lease liabilities modification	-	(2)	Decrease in short-term loans	(517,940)	(781,514)
Total adjustments to reconcile profit	<u>141,417</u>	<u>363,385</u>	Increase in short-term notes and bills payable	370,000	100,000
Changes in operating assets and liabilities:			Decrease in short-term notes and bills payable	(350,000)	(50,000)
(Increase) in contract assets	(840,076)	(471,324)	Proceeds from long-term debt	963,900	423,500
(Increase) decrease in notes receivable	(39,041)	2,564	Repayments of long-term debt	(821,520)	(516,945)
Decrease in accounts receivable	178,112	45,486	Payments of lease liabilities	(6,261)	(4,454)
(Increase) decrease in other receivable	(3,405)	26	Cash dividends paid	<u>(372,117)</u>	<u>(248,078)</u>
(Increase) in inventories	(24,402)	(32,206)	Net cash flows from (used in) financing activities	<u>245,847</u>	<u>(484,457)</u>
(Increase) in other current assets	(253,904)	(95,623)			
Increase in contract liabilities	316,881	10,920	Effect of exchange rate changes on cash and cash equivalents	<u>(9,033)</u>	<u>5</u>
Increase in notes payable	30,767	14,471			
(Decrease) increase in accounts payable	(20,859)	221,849	Net (decrease) increase in cash and cash equivalents	<u>(235,877)</u>	<u>229,396</u>
Increase in other payable	29,847	41,868	Cash and cash equivalents at beginning of period	<u>1,195,292</u>	<u>965,896</u>
Increase (decrease) in other current liabilities	2,800	(724)	Cash and cash equivalents at end of period	<u>\$959,415</u>	<u>\$1,195,292</u>
(Decrease) in net defined benefit liability	(927)	(13,069)			
(Decrease) in other operating liabilities	(1,791)	(4,674)			
Cash inflow generated from operations	<u>645,724</u>	<u>1,186,786</u>			
Interest received	19,462	10,918			
Interest paid	(90,171)	(87,543)			
Income taxes (paid)	<u>(360,944)</u>	<u>(169,919)</u>			
Net cash flows from operating activities	<u>214,071</u>	<u>940,242</u>			

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Financial Statements Originally Issued in Chinese

**KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended 31 December 2024 and 2023

(Expressed in thousands of New Taiwan Dollars Unless Otherwise Stated)

I. HISTORY AND ORGANIZATION

(1) KUO TOONG INTERNATIONAL CO., LTD. (the “Company”) was incorporated under the laws of the Republic of China (the “ROC”) in July 1978.

The Company’s main business activities are manufacturing and trading various prestressed concrete pipes, straight steel pipes, propelling steel pipes, ductile iron pipes, cement products, spare parts, assembling and embedding of various water pipes, and spare parts.

(2) The Company became a listed company on the Taiwan Stock Exchange on 9 September 2002.

II. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as “the Group”) for the years ended 31 December 2024 and 2023 were authorized for issue in accordance with a resolution of the Company’s board of directors (“Board of Directors”) on 11 March 2025.

III. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

1. Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first-time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2024. The adoption of these new standards and amendments had no material impact on the Group.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which have been endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	Lack of Exchangeability – Amendments to IAS 21	1 January 2025

(1) Lack of Exchangeability – Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

The abovementioned amendments are applicable for annual periods beginning on or after 1 January 2025 and have no material impact on the Group.

3. Standards or interpretations issued, revised or amended, by IASB which have not been endorsed by FSC, and not yet adopted by the Group as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
2	IFRS 17 “Insurance Contracts”	1 January 2023
3	IFRS 18 “Presentation and Disclosure in Financial Statements”	1 January 2027
4	Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)	1 January 2027
5	Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
6	Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
7	Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	1 January 2026

(1) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

(2) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after 1 January 2023.

(3) IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The main changes are as below:

(a) Improved comparability in the statement of profit or loss (income statement)

IFRS 18 requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. The first three categories are new, to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit or loss. The improved structure and new subtotals will give investors a consistent starting point for analyzing entities' performance and make it easier to compare entities.

(b) Enhanced transparency of management-defined performance measures

IFRS 18 requires entities to disclose explanations of those entity-specific measures that are related to the income statement, referred to as management-defined performance measures.

(c) Useful grouping of information in the financial statements

IFRS 18 sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

(4) Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures (IFRS 19)

This standard permits subsidiaries without public accountability to provide reduced disclosures when applying IFRS Accounting Standards in their financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

(5) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

The amendments include:

- (a) Clarify that a financial liability is derecognised on the settlement date and describe the accounting treatment for settlement of financial liabilities using an electronic payment system before the settlement date.
- (b) Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.
- (c) Clarify the treatment of non-recourse assets and contractually linked instruments.
- (d) Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

(6) Annual Improvements to IFRS Accounting Standards – Volume 11

- (a) Amendments to IFRS 1
- (b) Amendments to IFRS 7
- (c) Amendments to Guidance on implementing IFRS 7
- (d) Amendments to IFRS 9
- (e) Amendments to IFRS 10
- (f) Amendments to IAS 7

(7) Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

The amendments include:

- (a) Clarify the application of the ‘own-use’ requirements.
- (b) Permit hedge accounting if these contracts are used as hedging instruments.
- (c) Add new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the new or amended standards and interpretations listed under (3) , it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

IV. SUMMARY OF MATERIAL ACCOUNTING POLICIES

1. Statement of compliance

The consolidated financial statements of the Group for the years ended 31 December 2024 and 2023 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”), IFRS, IASs, IFRIC, and SIC, are endorsed by the FSC (TIFRSs).

2. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

3. Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) exposure, or rights, to variable returns from its involvement with the investee, and
- (c) the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee
- (b) rights arising from other contractual arrangements
- (c) the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss, or transfer directly to retained earnings if required by other IFRSs; and
- (f) recognizes any resulting difference in profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			31 Dec. 2024	31 Dec. 2023
The Company	Kuo Toong International LLC.	Investment Company	100.00%	100.00%
The Company	Hsiyu Seawater Desalination Co., Ltd.	Tap water management, piping engineering, automatic control equipment engineering, mechanical installation, etc.	100.00%	100.00%
The Company	Jie Mao International Co., Ltd.	Building materials wholesale, building materials retail, international trade and machinery wholesale, etc.	100.00%	100.00%
The Company	Kuo Hsin Technology Co., Ltd. (Note 1)	Chemical material manufacturing and water supply management	73.60%	73.60%
The Company	Jian-yi Construction Co., Ltd.	Construction, dredging, sandstone and silt sea dumping, wholesale of building materials, housing and building development and rental etc.	100.00%	100.00%
The Company	Marvel Line Co., Ltd.	Investment Company	0.50% (Note2)	0.76%
The Company	Ding Teng Co., Ltd.	Energy technology service, running water operating, manufacturing and installation of mechanical equipment, pipe arrangement	50.50%	50.50%
Kuo Toong International LLC.	Marvel Line Co., Ltd.	Investment company	99.50% (Note2)	99.24%
Jie Mao International Co., Ltd.	Kuo Chuang Engineering Co., Ltd.	Water supply management and piping works, etc.	100.00%	100.00%
Ding Teng Co., Ltd.	Kuo Yang Environment Technology Co., Ltd.	Machinery installation, other environmental sanitation and pollution prevention services, etc.	100.00%	100.00%

(Note 1): The Board of directors of Kuo Hsin Technology Co., Ltd. resolved to apply for suspension of business on 20 May 2022. The National Taxation Bureau of Kaohsiung approved the application for suspension of business from 1 August 2022 to 31 July 2023 on 29 July 2022, and the cessation of business was approved on 5 July 2023 to be extended to 31 July 2024, and the application for re-commencement was approved by the National Taxation Bureau of Kaohsiung, Ministry of Finance, on 16 November 2023.

(Note 2): Kuo Toong International LLC. passed board resolutions on 9 August 2024 and 8 November 2024 to increase the capital of its subsidiary, Marvel Line Co., Ltd., by USD 12,500 thousand and USD 350 thousand, respectively. All shares were subscribed by Kuo Toong International LLC., raising its ownership percentage to 99.50%. The company did not subscribe according to its ownership percentage, resulting in a decrease to 0.50%. The Group holds a total of 100.00%.

4. Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

5. Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT\$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following partial disposals are accounted for as disposals.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

6. Current and non-current distinction

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* are recognized initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

(1) Financial instruments: recognition and measurement

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described below:

- (a) A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- (b) When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- (c) Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
 - (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Group made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other

components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the balance sheet.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Group needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for further details on credit risk.

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired.
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(4) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(5) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

9. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

10. Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – At actual purchase cost using weighted-average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

11. Service concession agreement

(1) Recognition and measurement

The Group (operator) and the government agency (grantor) entered into a public and private service concession agreement that met the following conditions, which shall be treated in accordance with IFRIC No.12 “Service Concession Agreement”:

- A. the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price
- B. the grantor controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement

The Group provides construction or upgrading services, and the consideration received or receivable should be recognized as financial assets or intangible assets at fair value.

Due to construction services, the Group has the unconditional contractual right to receive cash or another financial asset from the grantor or in accordance with the grantor's instructions to recognize it as a financial asset within the range of contractual right. Financial asset accounting policy is detailed in Note IV(8) “Financial Instruments”.

The Group recognizes intangible assets within the range of obtaining the right (license) to charge public service users. The right to charge public service users is not the unconditional right to receive cash, because the amount that can be collected depends on the extent to which the public uses the service. Intangible assets (concession) accounting policies are detailed in Note IV(15) “Intangible Assets”.

If the payment for the construction services provided by the Group includes both financial assets and intangible assets, each component of the consideration must be treated separately. The two components of the consideration received or receivable shall be recognized at the fair value of the consideration received or receivable at the time of initial recognition.

(2) Construction or upgrading services

The Group recognizes the revenue and costs related to construction or upgrading services in accordance with IFRS 15, as detailed in Note IV(18) “Recognition of Revenue”.

(3) Operating services

The Group treated the revenue and costs related to operating services in accordance with IFRS 15, as detailed in Note IV(18) “Recognition of Revenue”.

12. Joint operations

A joint operation is a joint agreement whereby the parties that have joint control over the agreement (i.e., the joint operators) have rights to the assets related to the agreement and obligations for the liabilities related to the agreement.

When assessing the classification of a joint agreement, the Group considers the structure of the agreement, the legal form of the separate vehicles, the terms of the contractual agreements, and other facts and circumstances. If there are changes in facts and circumstances, the Group will reassess whether the type of joint agreement it is involved in has changed.

When the Group acquires joint operation in which the activity of the joint operation constitutes a business should be treated as a business combination, except when the parties sharing joint control are under the common control of the same ultimate controlling party or parties both before and after the acquisition and that control is not transitory.

The Group recognizes the following items in relation to its interest in a joint operation :

- (1) Its assets, including its share of any assets held jointly.
- (2) Its liabilities, including its share of any liabilities incurred jointly.
- (3) Its revenue from the sale of its share of the output arising from the joint operation.
- (4) Its share of the revenue from the sale of the output of the joint operation.
- (5) Its expenses, including its share of any expenses incurred jointly.

Joint operators should recognize and measure the assets and liabilities related to their interests in the agreement in accordance with the applicable International Financial Reporting Standards (IFRS) accounting standards for specific assets, liabilities, income, and expenses, and recognize the related income and expenses.

13. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	3~55 years
Machinery and equipment	2~20 years
Other Equipment	2~20 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

14. Leases

The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, has both of the following:

- (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of

the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Group for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group estimates the stand-alone price, maximizing the use of observable information.

Group as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Group recognizes right-of-use asset and lease liability for all leases which the Group is the lessee of those lease contracts.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Group measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Group accounted for as short-term leases or leases of low-value assets, the Group presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Group elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Group as a lessor

At inception of a contract, the Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Group allocates the consideration in the contract applying IFRS 15.

The Group recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

15. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Group can demonstrate:

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) Its intention to complete and its ability to use or sell the asset.
- (c) How the asset will generate future economic benefits.
- (d) The availability of resources to complete the asset.
- (e) The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Franchise

Franchise is granted 15 to 32 years of use.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (2 to 3 years).

A summary of the policies applied to the Group's intangible assets is as follows:

	Franchise	Computer software
Useful life	15~32 years	2~3 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

16. Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

17. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

18. Revenue recognition

The Group's revenue arising from contracts with customers are primarily related to sale of goods and construction contract. The accounting policies are explained as follows:

Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Group are prestressed concrete pipes and ductile iron pipes, etc. Revenue from these sales is based on the price specified in the contract.

The credit period of the Group's merchandise sales transaction is usually set in accordance with the contract. In most of the contracts, the accounts receivable is recognized when the control of goods is transferred and the unconditional right to receive the consideration is recognized. Such accounts receivable usually have a short period and no significant financial components.

Construction contract

The Group is engaged in the contracting business of public constructions because the assets are controlled by customers when they are under construction. Revenue is gradually recognized over time on the basis of the percentage of construction costs incurred among the estimated total contract costs. The contract includes fixed and variable consideration. The customer pays a fixed amount of money according to the agreed schedule. Certain changes in consideration (such as fines and price adjustment subsidies calculated based on the number of overdue days) are estimated at the most likely amount. The Group only recognizes revenue

within the range where the accumulated revenue is highly unlikely to undergo a major reversal. If the amount of recognized income has not been requested, it is recognized as contract assets. When there is an unconditional right to the consideration, the contract assets are transferred to accounts receivable. However, there are some contracts, because part of the consideration has been charged when signing the contract, the Group is obligated to provide services; therefore, the contract revenue is recognized as contract liabilities.

If it is impossible to reasonably measure the percentage of completion of the obligated project contract performance, the contract revenue is recognized within the expected recoverable cost range.

When the Group expects that the unavoidable cost of fulfilling the obligations of a construction contract exceeds the expected economic benefits from the contract, it shall recognize the provision for onerous contract.

If the situation changes, the estimation of revenue, cost and completion will be revised, and during the period when the management noticed the change of the situation and make the correction, the resulting increase or decrease will be reflected in profit or loss.

19. Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

20. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (1) the date of the plan amendment or curtailment, and
- (2) the date that the Group recognizes restructuring-related costs or termination benefits.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

21. Share-based payment transactions

The cost of equity-settled share-based payment transaction between the Group and its employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

22. Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

V. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

1. Judgement

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

The use of IFRS 12 *Service Concession Agreement* and the classification of receivables and intangible assets under the *Service Concession Agreement*.

The Group determines whether the terms of agreement are applicable to IFRS 12 *Service License Agreement* in accordance with the following conditions:

- A. the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price
- B. the grantor controls — through ownership, beneficial entitlement or otherwise — any significant residual interest in the infrastructure at the end of the term of the arrangement

The service concession agreement signed by the Group determines whether the construction or upgrading service provided meets the requirements of IFRS12 for unconditionally charging cash or other financial assets from the grantor or in accordance with the grantor's instructions, to distinguish the classification between receivables and intangible assets.

2. Estimates and assumptions

The key assumptions concerning the future and other key sources for estimation uncertainty at the reporting date, that would have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(1) Revenue recognition

The Group's recognition of profit and loss on contract is based on the degree of completion of contract activities to recognize contract revenue and contract costs respectively and to measure the percentage of completion based on the ratio of contract costs incurred to date to the total estimated contract costs. The Group considers the nature of each project, estimated construction period, project, construction process, construction method, estimated contract amount and other factors to estimate the total contract cost. Any change in the above estimation basis may cause a significant adjustment of the estimated amount.

(2) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note XII for more details.

(3) Accounts receivables – estimation of impairment loss

The Group estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note VI for more details.

(4) Inventories

Estimates of net realizable value of inventories take into consideration that inventories may be damaged, become wholly or partially obsolete, or their selling prices have declined. The estimates are based on the most reliable evidence available at the time the estimates are made. Please refer to Note VI for more details.

(5) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less incremental costs that would be directly attributable to the disposal of the asset or cash generating unit. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note VI.

(6) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

(7) Provision

The Group estimates the provisions for onerous contracts based on the historical experience and other known reasons.

The Group regularly evaluates the occurrence of legal actions and other obligations, and related legal costs. If the current obligation is likely to occur and the amount can be reasonably estimated, provisions for related legal matters will be recognized.

VI. CONTENTS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalents

	31 Dec. 2024	31 Dec. 2023
Cash on hand	\$2,739	\$2,699
Check deposit	12,487	2,930
Saving account	936,189	1,184,638
Investments in bonds with resale agreements	8,000	5,025
Total	\$959,415	\$1,195,292

2. Financial assets at fair value through other comprehensive income

	31 Dec. 2024	31 Dec. 2023
Equity instrument investments measured at fair value through other comprehensive income – Non-current :		
Listed companies stocks	\$69,583	\$-
Unlisted companies stocks	801,966	637,087
Total	\$871,549	\$637,087

The Group's financial assets measured at fair value through other comprehensive income were not pledged as collateral.

For equity instrument investments measured at fair value through other comprehensive income, the Group did not recognize dividends for the years ended 31 December 2024 and 2023.

3. Financial assets at amortized cost

	31 Dec. 2024	31 Dec. 2023
Time deposits	\$908,283	\$419,837
Saving account - pledged account	619,670	625,409
Total	\$1,527,953	\$1,045,246
Current	\$1,488,753	\$937,552
Non-current	39,200	107,694
Total	\$1,527,953	\$1,045,246

The Group classified certain financial assets as financial assets at amortized cost. Please refer to Note VI (21) for more details on accumulated impairment and Note VIII for more details on financial assets at amortized cost under pledge and Note XII for more details on credit risk.

4. Notes receivable

	31 Dec. 2024	31 Dec. 2023
Notes receivable	\$46,826	\$7,785
Less: allowance for doubtful accounts	-	-
Total	\$46,826	\$7,785

The Group's notes receivables were not pledged as collateral.

The Group adopted IFRS 9 for impairment assessment. Please refer to Note VI (21) for more details on accumulated impairment and Note XII for more details on credit risk.

5. Accounts receivable and long-term accounts receivables

	31 Dec. 2024	31 Dec. 2023
Accounts receivable	\$345,418	\$393,117
Service concession accounts receivable	4,161,353	3,304,873
Long-term accounts receivables (Note)	115,867	115,867
Less: allowance for doubtful accounts	(2,651)	(2,651)
Total	\$4,619,987	\$3,811,206
Current (recognized as accounts receivable - net)	\$522,804	\$522,336
Non-current (recognized as long-term accounts receivables)	4,097,183	3,288,870
Total	\$4,619,987	\$3,811,206

Please refer to Note VIII for more details on accounts receivable under pledge.

Accounts receivable are generally regulated by contracts. The Group's accounts receivables as at 31 December 2024 and 2023 amounted to NT\$4,622,638 thousand and NT\$3,813,857 thousand, respectively. Please refer to Note VI (21) for more details on impairment of trade receivables for the years ended 31 December 2024 and 2023 and please refer to Note XII for credit risk.

Please refer to Note VI (12) for the description of the service concession accounts receivable.

(Note) The Group is in litigation with the owner regarding the case of "New Construction Project of Magong Additional 4,000 ton Seawater Desalination Plant" (Magong Second Desalination Plant Phase I). The dispute of overdue construction days is still pending in the Taichung District Court of Taiwan, so the relevant payment is transferred to long-term accounts receivables. Please refer to Note IX (VII).1.

6. Other Receivables

	31 Dec. 2024	31 Dec. 2023
Other receivables(Note)	\$391,290	\$376,062
Less: allowance for doubtful accounts	(260,982)	(253,431)
Total	\$130,308	\$122,631
Current (recognized as other receivables)	\$4,312	\$907
Non-current (recognized as long-term accounts receivables)	125,996	121,724
Total	\$130,308	\$122,631

(Note) The Group's subsidiary, Marvel Line Co., Ltd. (hereinafter referred to as "Marvel Line"), held 91% of the shares of Xiamen Guoxin. The Group assessed that it lost control and significant influence over Xiamen Guoxin as at 31 December 2022 (please refer to Note IX (VII).2). Therefore, Marvel Line' financing of NT\$253,821 thousand (CNY 57,000 thousand) to Xiamen Guoxin recognized interest receivable in the amount of NT\$94,831 thousand (CNY 21,296 thousand), which was reclassified as long-term receivables. The Group has assessed the recoverability of other receivables and recognized an allowance for doubtful accounts for the year ended 2023, amounting to NT\$222,656 thousand (CNY 50,001 thousand) as of 31 December 2024. Additionally, there has been no change in the original currency amount of transactions with related parties; any variation is attributed to exchange rate effects. For further details, please refer to Note IX (VII).2.

The information on the Group's changes of loss allowance of other receivables for the years ended 31 December 2024 and 2023 were as follows:

	Other Receivables
1 Jan. 2024	\$253,431
Addition for the current period	-
Exchange difference	7,551
31 Dec. 2024	\$260,982
1 Jan. 2023	\$38,219
Addition for the current period	107
Other changes	219,806
Addition for the current period	(4,701)
31 Dec. 2023	\$253,431

7. Inventories

	31 Dec. 2024	31 Dec. 2023
Raw materials	\$55,140	\$28,146
Work in progress	85,795	122,152
Finished goods	186,878	152,487
Merchandise	2,612	3,238
Total	\$330,425	\$306,023

The cost of inventories recognized in expenses amounted to NT\$692,456 thousand and NT\$781,361 thousand for the years ended 31 December 2024 and 2023, which included inventory destocking in each age range for the year ended 31 December 2024, resulting in decrease in slow-moving inventory appropriated by the Group. The Group therefore recognized an inventory valuation loss of NT\$ 8,411 thousand due to the write-down of inventory to its net realizable value for the year ended 31 December 2024, and reversal gains on inventory amounting to NT\$ 21,833 thousand for the year ended 31 December 2023.

No Inventories were pledged as collateral.

8. Other current assets and other non-current assets

	31 Dec. 2024	31 Dec. 2023
Prepayments	\$53,540	\$58,357
Prepayments for land	74,400	-
Prepayments for construction	290,102	83,663
Inventory of supplies	70,893	64,305
Advance payments in equipment	35,938	42,215
Tax overpaid retained for offsetting the future tax payable	21,275	42,412
Others	46,773	45,423
Total	\$592,921	\$336,375
 Current	 \$556,983	 \$294,160
Non-current	35,938	42,215
Total	\$592,921	\$336,375

- (1) Prepayments include prepayments for, purchase payments and prepayments for various business expenses.
- (2) Other advance payments are for construction consulting fees, temporary project miscellaneous expenses, and subcontracted projects disbursement, etc.

9. Joint Operations

The Group's construction projects are joint construction projects, and the Group signed cooperation agreements with participating contractors to form a single operating unit and adopted the operating model of joint contracting and also independently set up accounting records. This cooperation agreement is deemed a joint operation as it is not constructed through a separate vehicle. Regarding the interests in the joint operation, the Group recognizes its direct interests (and its share) in the assets, liabilities, income, and expenses of the joint operation, which have been included in the applicable items of the consolidated financial statements.

The joint contractor, along with the construction assets and liabilities, and the details of the amounts that the Group has contributed in proportion to its interest in the joint agreements as of 31 December 2024, are as follows:

Tainan Seawater Desalination Plant JV Project

Contract Name	Percentages of the work contracted	Joint Contracting Parties	Description
The construction of the turnkey project (Phase I) and operation and maintenance project of the Tainan Seawater Desalination Plant	57%	BES Engineering Corporation	Jiangjun District, Tainan City
Assets			31 December 2024
Cash	\$51,471		
Current contract assets	35,852		
Other current assets	32,663		
Total Assets	\$119,986		
Liabilities			31 December 2024
Accounts payable	\$(4,273)		
Other current liabilities	(1,153)		
Total Liabilities	<b">\$(5,426)</b">		

According to the contract, the recognized construction revenue should be NT\$5,157,143 thousand. For the period from 1 January to 31 December 2024, the recognized construction revenue is NT\$35,852 thousand.

10. Property, plant and equipment

	31 Dec. 2024	31 Dec. 2023
Owner occupied property, plant and equipment	<u><u>\$534,279</u></u>	<u><u>\$422,888</u></u>

Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Other Equipment	Construction in progress	Total
Cost:						
1 Jan. 2024	\$147,877	\$310,375	\$780,457	\$174,623	\$5,055	\$1,418,387
Addition	-	1,847	90,519	48,826	29,227	170,419
Disposal	-	-	(166,304)	(6,821)	-	(173,125)
Other	-	28,162	-	-	(28,162)	-
31 Dec. 2024	<u><u>\$147,877</u></u>	<u><u>\$340,384</u></u>	<u><u>\$704,672</u></u>	<u><u>\$216,628</u></u>	<u><u>\$6,120</u></u>	<u><u>\$1,415,681</u></u>
 1 Jan. 2023						
1 Jan. 2023	\$114,231	\$274,880	\$1,045,976	\$163,598	\$4,688	\$1,603,373
Addition	10,677	11,677	19,882	17,505	47,154	106,895
Disposal	-	-	(280,469)	(6,680)	-	(287,149)
Other	22,969	23,818	(4,932)	200	(46,787)	(4,732)
31 Dec. 2023	<u><u>\$147,877</u></u>	<u><u>\$310,375</u></u>	<u><u>\$780,457</u></u>	<u><u>\$174,623</u></u>	<u><u>\$5,055</u></u>	<u><u>\$1,418,387</u></u>
 Depreciation and impairment:						
1 Jan. 2024	\$-	\$177,128	\$685,152	\$128,532	\$4,687	\$995,499
Depreciation	-	12,088	30,708	9,282	-	52,078
Disposal	-	-	(160,458)	(5,717)	-	(166,175)
31 Dec. 2024	<u><u>\$-</u></u>	<u><u>\$189,216</u></u>	<u><u>\$555,402</u></u>	<u><u>\$132,097</u></u>	<u><u>\$4,687</u></u>	<u><u>\$881,402</u></u>
 1 Jan. 2023						
1 Jan. 2023	\$-	\$165,196	\$941,915	\$126,104	\$2,189	\$1,235,404
Depreciation	-	11,932	26,288	9,108	-	47,328
Impairment (Note)	-	-	-	-	2,498	2,498
Disposal	-	-	(278,775)	(6,680)	-	(285,455)
Other	-	-	(4,276)	-	-	(4,276)
31 Dec. 2023	<u><u>\$-</u></u>	<u><u>\$177,128</u></u>	<u><u>\$685,152</u></u>	<u><u>\$128,532</u></u>	<u><u>\$4,687</u></u>	<u><u>\$995,499</u></u>
 Net book value:						
31 Dec. 2024	<u><u>\$147,877</u></u>	<u><u>\$151,168</u></u>	<u><u>\$149,270</u></u>	<u><u>\$84,531</u></u>	<u><u>\$1,433</u></u>	<u><u>\$534,279</u></u>
31 Dec. 2023	<u><u>\$147,877</u></u>	<u><u>\$133,247</u></u>	<u><u>\$95,305</u></u>	<u><u>\$46,091</u></u>	<u><u>\$368</u></u>	<u><u>\$422,888</u></u>

(Note) The Group reduced part of the construction in progress to recoverable amounts for the year ended 31 December 2023, resulting in an impairment loss of NT\$2,498 thousand, which was recognized in the non-operating income and expenses of the consolidated income statement. Please refer to Note VI(24) for details.

Some of the Group's land accounted for as property, plant and equipment has not yet been available for transfer in the name of the Group and is registered in the name of the third party because the land is for agricultural use.

Refer to Note VIII for details on property, plant and equipment under pledge.

11. Intangible assets

	Goodwill	Franchise	Computer software	Development cost	Total
Cost:					
1 Jan. 2024	\$47,088	\$2,099,015	\$5,334	\$-	\$2,151,437
Addition - acquired separately (Note)	-	101,488	105	-	101,593
31 Dec. 2024	<u>\$47,088</u>	<u>\$2,200,503</u>	<u>\$5,439</u>	<u>\$-</u>	<u>\$2,253,030</u>
1 Jan. 2023	\$47,088	\$1,869,172	\$3,621	\$43,197	\$1,963,078
Addition - acquired separately (Note)	-	229,843	1,713	-	231,556
Other	-	-	-	(43,197)	(43,197)
31 Dec. 2023	<u>\$47,088</u>	<u>\$2,099,015</u>	<u>\$5,334</u>	<u>\$-</u>	<u>\$2,151,437</u>
Amortization and impairment:					
1 Jan. 2024	\$47,088	\$429,138	\$3,907	\$-	\$480,133
Amortization	-	86,409	681	-	87,090
31 Dec. 2024	<u>\$47,088</u>	<u>\$515,547</u>	<u>\$4,588</u>	<u>\$-</u>	<u>\$567,223</u>
1 Jan. 2023	\$47,088	\$352,552	\$3,552	\$43,197	\$446,389
Amortization	-	76,586	355	-	76,941
Other	-	-	-	(43,197)	(43,197)
31 Dec. 2023	<u>\$47,088</u>	<u>\$429,138</u>	<u>\$3,907</u>	<u>\$-</u>	<u>\$480,133</u>
Net book value:					
31 Dec. 2024	<u>\$-</u>	<u>\$1,684,956</u>	<u>\$851</u>	<u>\$-</u>	<u>\$1,685,807</u>
31 Dec. 2023	<u>\$-</u>	<u>\$1,669,877</u>	<u>\$1,427</u>	<u>\$-</u>	<u>\$1,671,304</u>

(Note) The separate acquisition of franchise was transferred from the reclassification of contract assets.

As at 31 December 2024 and 2023, the amount of intangible assets of the Group as a result of the service license agreement amounted to NT\$2,156,036 thousand and NT\$2,054,548 thousand, respectively. Please refer to Note VI(12) for details.

Amortization expense of intangible assets under the statement of comprehensive income:

	2024	2023
Operating costs	\$86,479	\$76,598
Operating expenses	611	343
Total	\$87,090	\$76,941

No intangible assets were pledged as collateral.

12. Service Concession Agreement

The Group signed a service concession agreement with Miaoli County Government (grantor) on 24 December 2008 to construct a sewerage system. The construction began in January 2009 and was completed on 23 August 2012 for operation. According to the agreement, the Group should be responsible for the operation of the sewerage system on 1 January 2012 for a term of 32 years. The Group is responsible for all maintenance services during the agreement term.

If the Group has a material breach of contract and fails to start operations in accordance with the contract, the grantor has the right to terminate the agreement. If the grantor has a material breach of contract and the Group is unable to perform the contract due to legal changes, the Group has the right to terminate the agreement.

The Group considers that the fair value of the consideration receivable for the construction or upgrading services provided should be recognized as financial assets or intangible assets. According to the Service Concession Agreement, the Group expects to receive the price within the term of the agreement and select an appropriate discount rate to calculate the present value of the consideration receivable. As at 31 December 2024 and 2023, the amount of intangible assets generated by the Group as a result of the aforementioned service concession agreement amounted to NT\$2,156,036 thousand and NT\$2,054,548 thousand, respectively.

As at 31 December 2024 and 2023, the Group's receivables recognized by the discounted value of the consideration receivable due to the service concession agreement on each reporting day were as follows:

	31 Dec. 2024	31 Dec. 2023
Service concession receivable	<u><u>\$4,161,353</u></u>	<u><u>\$3,304,873</u></u>
Current(recognized as accounts receivable)	\$180,037	\$131,870
Non-current(recognized as long-term accounts receivables)	3,981,316	3,173,003
Total	<u><u>\$4,161,353</u></u>	<u><u>\$3,304,873</u></u>

The Group's interest income from financial assets (reported under other operating income) amounted to NT\$194,002 thousand and NT\$159,321 thousand, as at 31 December 2024 and 2023, the interest receivable amounted to NT\$48,500 thousand and NT\$39,830 thousand, respectively, which were booked under the accounts receivable. In addition, the service concession receivables have been used as long-term and short-term loans and financing line guarantees. Please refer to Note VIII for more details.

13. Current borrowings

	Interest rate range	31 Dec. 2024	31 Dec. 2023
Unsecured bank loans	2.86%	\$34,500	\$31,000
Secured bank loans	2.30%~2.99%	728,845	270,500
Total		<u>\$763,345</u>	<u>\$301,500</u>

Secured bank loans are pledged with asset mortgage. Please refer to Note VIII for the detail of the assets pledged as collateral.

14. Short-term notes and bills payable

	Interest rate range	31 Dec. 2024	31 Dec. 2023
Commercial paper payable	2.45%	\$70,000	\$50,000
Less: Discount of commercial paper payable		-	-
Total		<u>\$70,000</u>	<u>\$50,000</u>

15. Other Payables

	31 Dec. 2024	31 Dec. 2023
Salaries payable	\$35,470	\$48,385
Other expenses payable	238,630	168,247
Equipment payments payable	2,214	1,701
Other payable - other	3,735	2,324
Total	<u>\$280,049</u>	<u>\$220,657</u>

16. Bonds payable

	31 Dec. 2024	31 Dec. 2023
Secured and non-convertible bonds	\$250,000	\$250,000
Less: Discount of bonds payable	(5)	(198)
Total	249,995	249,802
Less: Current portion	(249,995)	-
Net	<u>\$-</u>	<u>\$249,802</u>

(1) On 11 January 2022, the Group issued secured bond amounted to NT\$250,000 thousand with par rate of 0.63%. The issuance period is from 11 January 2022 to 11 January 2025.
(2) Please refer to Note VI (24) for the interest expenses of bonds payable.

17. Long-term borrowings

Details of long-term as at 31 December 2024 and 2023 are as follows:

Creditors	Interest		Maturity date and terms of repayment
	31 Dec. 2024	Rate (Note)	
Fubon Bank	\$1,960,200		From 7 November 2022 to 30 June 2028, with repayment commencing on 30 December 2022, the quarterly repayment amount shall not be less than the minimum amount agreed between the parties, and interest shall be paid monthly.
Secured Loan (Administrative bank of syndicate loan amount)			
Shanghai Commercial Bank	50,000		From 1 August 2022 to 1 August 2026, repayment began on 1 September 2022, amortized and interest paid monthly.
Secured Loan			
Taichung Commercial Bank Co., Ltd.	25,000		From 31 October 2023 to 31 October 2025, Repayment was settled beginning from 31 January 2024, with quarterly amortization and interest paid monthly.
Secured Loan			
Bank of Taiwan	23,000		From 23 October 2023 to 23 October 2028, repayment began on 23 November 2023, amortized and interest paid monthly.
Credit Loan			
O-Bank	36,100		From 26 August 2024 to 26 August 2025, interest will be paid monthly basis and will be deducted at 40% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date.
Secured Loan			
O-Bank	64,000		From 17 October 2024 to 17 October 2025, interest will be paid monthly basis and will be deducted at 40% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date.
Secured Loan			
Taiwan Cooperative Bank	40,000		From 29 August 2024 to 23 May 2027, interest will be paid monthly basis and will be deducted at 45% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date.
Secured Loan			
Taiwan Cooperative Bank	47,000		From 15 October 2024 to 27 November 2027, interest will be paid monthly basis and will be deducted at 45% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date.
Secured Loan			

Creditors	31 Dec. 2024	Interest	
		Rate (Note)	Maturity date and terms of repayment
Hua Nan Commercial Bank Ltd. Secured Loan	53,000		From 18 September 2024 to 18 September 2025, interest will be paid monthly basis and will be deducted at 50% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date.
Taishin International Bank Co., Ltd. Secured Loan	51,250		From 20 September 2024 to 19 March 2025, interest will be paid monthly basis and will be deducted at 40% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date.
Subtotal	2,349,550		
Less: current portion	(495,350)		
Less: unamortized expenses	(9,555)		
Total	<u>\$1,844,645</u>		

Note: Interest rate range is between 2.22% ~ 3.58%.

Creditors	31 Dec. 2023	Interest	
		Rate (Note)	Maturity date and terms of repayment
Fubon Bank Secured Loan (Administrative bank of syndicate loan amount)	\$1,984,100		From 7 November 2022 to 30 June 2028, with repayment commencing on 30 December 2022, the quarterly repayment amount shall not be less than the minimum amount agreed between the parties, and interest shall be paid monthly.
Shanghai Commercial Bank Credit Loan	18,000		From 22 March 2021 to 22 March 2026, repayment began on 22 April 2021, amortized and interest paid monthly.
Shanghai Commercial Bank Secured Loan	80,000		From 1 August 2022 to 1 August 2026, repayment began on 1 September 2022, amortized and interest paid monthly.
Taichung Commercial Bank Co., Ltd. Secured Loan	29,670		From 15 October 2021 to 15 March 2026, interest will be paid monthly basis and will be deducted at 40% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date.
Bank of Panshin Secured Loan	6,400		From 16 October 2023 to 12 July 2024, interest will be paid monthly basis and will be deducted at 40% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date. The loan facility can be drawn from 16 October 2023 to 16 April 2026, and it is available for revolving use.

Creditors	31 Dec. 2023	Interest Rate (Note)	Maturity date and terms of repayment
Taichung Commercial Bank Co., Ltd. Secured Loan	50,000		Repayable from 31 October 2023 to 31 October 2025. Repayment was settled beginning from 31 January 2024, with quarterly amortization and interest paid monthly.
Shanghai Commercial Bank Secured Loan	10,000		Repayable from 29 March 2023 to 29 March 2024, with interest paid monthly. The principal would be deducted and repaid based on 35% of the actual inward remittance of payment for construction, and the outstanding balance would be settled by a lump sum on maturity date. The loan facility can be drawn from 28 September 2022 to 28 March 2025, and it is available for revolving use.
Bank of Taiwan Credit Loan	29,000		Repayable from 23 October 2023 to 23 October 2028. Repayment was settled beginning from 23 November 2023, with monthly amortization and interest paid monthly.
Subtotal	2,207,170		
Less: current portion	(285,400)		
Less: unamortized expenses	(16,089)		
Total	\$1,905,681		

Note: Interest rate range from 2.10% ~ 3.51%.

- (1) Please refer to Note VIII for the mortgage pledged as collateral of aforementioned long-term borrowing.
- (2) For the construction and operation of the Miaoli County Government's sewage and sewer project and the settlement, Kuo Yang Environment Technology Co., Ltd. one of the subsidiaries, entered into a joint credit facility (Taipei Fubon Commercial Bank and 11 other institutions) on 7 September 2022. The signing of the new agreement replaced the joint credit contract signed in the third quarter of 2013. For the duration of the loan, Kuo Yang Environment Technology Co., Ltd. commits to maintaining the following financial ratios in its annual financial report:
 - A. Debt ratio (total liabilities/shareholders' equity): No higher than 135%.
 - B. Interest coverage ratio [(net profit before tax + depreciation + amortization + net interest expense) / net interest expense]: No less than 3 times. The aforementioned amortization includes the amortization of long-term receivables - financial assets and intangible assets - franchise.
 - C. Shareholders' equity: no less than NT\$3,000,000,000.
- (3) The Group has stipulated multiple default clauses in accordance with the syndicated loan contract. In the event of a breach, the syndicated loan bank group has the right to suspend the use of the credit line, cancel the unutilized credit line, or demand immediate repayment of the used but unpaid principal balance and related costs.

18. Post-Employment Benefits

Defined contribution plan

The Group adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2024 and 2023 were NT\$10,050 thousand and NT\$9,763 thousand, respectively.

Defined benefits plan

The Group adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group contributes an amount equivalent to 2%~3% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before end of each year, the Group and subsidiaries make estimates of the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the following year, the Group will make up the difference in one appropriation before the end of March of the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes control and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Group does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Group expects to contribute NT\$1,210 thousand to its defined benefit plan during the 12 months beginning after 31 December 2024.

As at 31 December 2024 and 2023, the Group's defined benefit plans are expected to mature in 2032 and 2031, respectively.

The following table summarizes the cost of the defined benefit plan recognized to profit and loss:

	2024	2023
Current service cost	\$247	\$440
Net interest on the net defined benefit liability (asset)	24	95
Total	\$271	\$535

Reconciliations of liabilities (assets) of the defined benefit obligation and plan assets at fair value are as follows:

	31 Dec. 2024	31 Dec. 2023	1 Jan. 2023
Defined benefit obligation	\$43,824	\$47,626	\$47,661
Plan assets at fair value	(43,026)	(41,708)	(39,879)
Net defined benefit liabilities	<u>\$798</u>	<u>\$5,918</u>	<u>\$7,782</u>

Reconciliations of liabilities (assets) of the defined benefit plan are as follows:

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
1 Jan. 2023	\$47,661	\$(39,879)	\$7,782
The cost of defined benefit plan recognized to profit and loss:			
Current service cost	440	-	440
Interest expense (income)	630	(535)	95
Subtotal	<u>48,731</u>	<u>(40,414)</u>	<u>8,317</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	528	-	528
Experience adjustments	10,952	-	10,952
Remeasurements of the defined benefit assets	-	(275)	(275)
Subtotal	<u>11,480</u>	<u>(275)</u>	<u>11,205</u>
Payment of benefit obligation	(12,585)	6,810	(5,775)
Contribution by employer	-	(7,829)	(7,829)
31 Dec. 2023	<u>\$47,626</u>	<u>\$(41,708)</u>	<u>\$5,918</u>
The cost of defined benefit plan recognized to profit and loss:			
Current service cost	247	-	247
Interest expense (income)	561	(537)	24
Subtotal	<u>48,434</u>	<u>(42,245)</u>	<u>6,189</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	(1,011)	-	(1,011)
Experience adjustments	249	-	249
Remeasurements of the defined benefit Assets	-	(3,431)	(3,431)
Subtotal	<u>(762)</u>	<u>(3,431)</u>	<u>(4,193)</u>
Payment of benefit obligation	(3,848)	3,848	-
Contribution by employer	-	(1,198)	(1,198)
31 Dec. 2024	<u>\$43,824</u>	<u>\$(43,026)</u>	<u>\$798</u>

The principal assumptions used in determining the Group's defined benefit plan are shown below:

	31 Dec. 2024	31 Dec. 2023
Discount rate	1.48%	1.18%
Expected rate of salary increase	1.00%	1.00%

A sensitivity analysis for significant assumption as at 31 December 2024 and 2023 was, as shown below:

	2024		2023	
	Defined benefit obligations increase	Defined benefit obligations decrease	Defined benefit obligations increase	Defined benefit obligations decrease
Discount rate increase by 0.25%	\$-	\$(819)	\$-	\$(909)
Discount rate decrease by 0.25%	844	-	938	-
Rate of future salary increase by 0.25%	832	-	923	-
Rate of future salary decrease by 0.25%	-	(812)	-	(898)

The sensitivity analysis above is based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

19. Equity

(1) Common stock

As at 31 December 2024 and 2023, the Company's authorized common share capital totaled NT\$4,500,000 thousand, each at a par value of NT\$10 for 450,000 thousand shares. Both the issued share capital amounted to NT\$2,480,782 thousand, at a par value of NT\$10 per share, accounting for 248,078 thousand shares. Each share has one voting right and the right to receive dividends.

(2) Capital surplus

	31 Dec. 2024	31 Dec. 2023
Additional paid-in capital	\$1,388,625	\$1,388,625
Unproportionally subscribed equity investment to adjust the capital reserve	16,308	16,308
Treasury stock transactions	38,932	38,932
Employee stock options	9,616	9,616
Invalidation of employee stock options	14,497	14,497
Invalidation of conversion rights of convertible corporate debt	2,203	2,203
Total	\$1,470,181	\$1,470,181

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(3) Retained earnings and dividend policies

The Company's Articles of Incorporation provide that the current net income, after deducting the previous years' losses, shall set aside 10% as legal reserve and special reserve according to the company laws and other regulations of R.O.C., unless the legal reserve has reached the total capital of the Company. The retained earnings shall be provisioned or reversed in accordance with the law or the competent authority. If there is any surplus, together with the undistributed retained earnings over the past few years, the board of directors should come up with a retained earnings distribution plan and submit it to the shareholders meeting for resolution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total paid-in capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal serve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

When the Company distributes distributable earnings, it shall set aside to special reserve, an amount equal to "other net deductions from shareholders" equity for the current fiscal year, provided that if the Company has already set aside special reserve according to the requirements for the adoption of IFRS, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed from the special reserve.

The FSC on 31 March 2021 issued Order No. Jin-Guan-Cheng-Fa-Zi-1090150022, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the special reserve in the amount equal to the reversal may be released for earnings distribution.

For the first-time adoption of IFRS, the special reserve set aside both amounted to NT\$39,793 thousand as of 1 January 2024 and 2023. In addition, the Company did not use, dispose of or reclassify any related assets from 1 January to 31 December 2024 and 2023; therefore, they did not reverse the retained earnings to undistributed retained earnings.

As at 31 December 2024 and 2023, the amount of the first adoption of retained earnings were both NT\$39,793 thousand.

Details of the 2024 and 2023 earnings distribution and dividends per share as approved and resolved at the board meeting and shareholders' meeting held on 11 March 2025 and 18 June 2024, respectively, are as follows :

	Appropriation of earnings		Dividend per share (NT\$)	
	2024	2023	2024	2023
Legal reserve	\$84,056	\$70,491		
Special reserve	(158,948)	149,456		
Cash dividends	496,156	372,117	NT\$2.00 per share	NT\$1.50 per share

Please refer to Note VI (23) for relevant information about estimation basis and recognized amounts for employees' compensation and remuneration to directors.

(4) Non-controlling interests:

	2024	2023
Balance as at 1 January	\$1,715,798	\$1,640,670
Attributable to non-controlling interests net income	71,944	99,878
Attributable to non-controlling interests through other comprehensive income:		
Dividends distributed by subsidiaries	(29,701)	(24,750)
Balance as at 31 December	<u>\$1,758,041</u>	<u>\$1,715,798</u>

20. Operating revenues

	2024	2023
Revenue from clients		
Sales - merchandise	\$842,503	\$971,091
Sales - construction	3,949,362	2,610,761
Sales - rendering of services	259,659	391,090
Other sales revenue	194,002	159,321
Total	<u>\$5,245,526</u>	<u>\$4,132,263</u>

Analysis of revenue from contracts with customers for the years ended 2024 and 2023 was as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2024:

	Single Operating Department
Pipe fittings	\$842,503
Public work construction revenue	3,730,594
Water treatment project Venture revenue – service concession agreement	218,768
Water treatment operation maintenance revenue	255,362
Service concession interest revenue	194,002
Other revenue	4,297
Total	\$5,245,526

Timing of revenue recognition:

	Single Operating Department
Goods transferred at a point in time	\$842,503
Construction transferred over time	3,949,362
Labor transferred at a point in time	259,659
Recognized over time by effective interest rate method	194,002
Total	\$5,245,526

For the year ended 31 December 2023:

	Single Operating Department
Pipe fittings	\$971,091
Public work construction revenue	2,256,554
Water treatment project Venture revenue – service concession agreement	354,207
Water treatment operation maintenance revenue	390,239
Service concession interest revenue	159,321
Other revenue	851
Total	\$4,132,263

Timing of revenue Recognition:

	Single Operating Department
Goods transferred at a point in time	\$971,091
Construction transferred over time	2,610,761
Labor transferred at a point in time	391,090
Recognized over time by effective interest rate method	159,321
Total	\$4,132,263

(2) Contract balances

A. Current contract assets

	31 Dec. 2024	31 Dec. 2023	1 Jan. 2023
Sale of goods	\$22,977	\$15,306	\$15,306
Public work construction	1,788,168	1,101,636	910,162
Service concession agreement	156,243	1,025,856	905,501
Total	<u>\$1,967,388</u>	<u>\$2,142,798</u>	<u>\$1,830,969</u>

The engineering retention generated by the Group's operations is interest-free and will be recovered at the end of the individual construction contract retention period, which is the normal operating cycle of the Group, which usually exceeds one year. The retention receivables as at 31 December 2024, 31 December 2023, and 1 January 2023 amounted to NT\$306,971 thousand, NT\$215,590 thousand and NT\$97,396 thousand, respectively, which were classified as contract assets.

The capitalized amount of borrowing costs of contract asset and their interest rates are as follows:

Project	2024	2023
Service concession agreement	\$72,895	\$70,348
Capitalized borrowing cost interest rate range	2.93%~3.58%	2.76%~3.51%

B. Current contract liabilities

	31 Dec. 2024	31 Dec. 2023	1 Jan. 2023
Public work construction	\$70,763	\$25,371	\$7,740
Advance receipts	313,754	42,265	48,976
Total	<u>\$384,517</u>	<u>\$67,636</u>	<u>\$56,716</u>

(3) The changes in contract assets and contract liabilities are mainly due to the difference between the time when the Group transfers goods or services to customers to meet the performance obligations and the time when the customers pay. There were no other major changes for the years ended 31 December 2024 and 2023.

21. Expected credit losses

	2024	2023
Operating expense- expected credit losses		
Contract assets	\$-	\$-
Notes receivable	-	-
Accounts receivable	-	-
Total	<u>\$-</u>	<u>\$-</u>

Please refer to Note XII for more details on credit risk.

The credit risk for financial assets at amortised cost as at 31 December 2024 and 2023 was assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Group transacts with financial institutions with good credit, no allowance for losses has been provided in current period.

The Group measures the loss allowance of its contract assets, trade receivables (including note receivables and accounts receivables) and long-term accounts receivables at an amount equal to lifetime expected credit losses. The Group considers that the credit loss is actually included in the impairment loss except for individual customers by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using provision matrix, details are as follows:

- (1) As at 31 December 2024 and 2023, the total book value of the contract assets was NT\$1,967,388 thousand and NT\$2,142,798 thousand, respectively, and the amount of loss allowance measured by the expected credit loss rate of 0% was NT\$0 thousand.
- (2) Accounts receivables and long-term accounts receivables are divided into groups based on factors such as counterparty credit rating, region, and industry. Provision matrix is used to measure the loss allowance, the related information is as follows:

As at 31 December 2024

	Not yet due (Note)	Overdue				Total
		<=90 days	91-180 days	181-360 days	>=361 days	
Gross carrying amount	\$4,666,813	\$-	\$-	\$-	\$2,651	\$4,669,464
Loss ratio	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	(2,651)	(2,651)
Carrying amount	<u>\$4,666,813</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$4,666,813</u>

Note: The Group's notes receivables are not overdue.

As at 31 December 2023

	Not yet due (Note)	Overdue				Total
		<=90 days	91-180 days	181-360 days	>=361 days	
Gross carrying amount	\$3,818,991	\$-	\$-	\$-	\$2,651	\$3,821,642
Loss ratio	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	(2,651)	(2,651)
Carrying amount	<u>\$3,818,991</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$3,818,991</u>

Note: The Group's notes receivables are not overdue.

The movement in the provision for impairment of contract assets, notes receivables and accounts receivables for the years ended 31 December 2024 and 2023 was as follows:

	Contract assets	Notes receivables	Accounts receivables
1 Jan. 2024	\$-	\$-	\$2,651
Addition for the current period	-	-	-
Exchange difference	-	-	-
31 Dec. 2024	<u>\$-</u>	<u>\$-</u>	<u>\$2,651</u>
1 Jan. 2023	\$-	\$-	\$2,651
Addition for the current period	-	-	-
Exchange difference	-	-	-
31 Dec. 2023	<u>\$-</u>	<u>\$-</u>	<u>\$2,651</u>

22. Leases

(1) Group as a lessee

The Group leases properties, including land, buildings and transportation equipment. The lease terms for each contract range from 2 to 35 years.

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2024	31 Dec. 2023
Land	\$22,264	\$23,247
Buildings	65	533
Transportation equipment	1,677	1,077
Total	<u>\$24,006</u>	<u>\$24,857</u>

The Group's additions to right-of-use assets for the years ended 31 December 2024 and 2023 amounted to NT\$5,665 thousand and NT\$15,338 thousand, respectively.

(b) Lease liabilities

	31 Dec. 2024	31 Dec. 2023
Current	\$4,376	\$5,314
Non-current	18,248	20,300
Total	<u>\$22,624</u>	<u>\$25,614</u>

Please refer to Note VI (24) for the interest on lease liabilities recognized for the years ended 31 December 2024 and 2023. Please refer to Note XII (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2024 and 2023.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	2024	2023
Land	\$4,174	\$2,883
Buildings	860	795
Transportation equipment	1,482	934
Total	\$6,516	\$4,612

C. Income and costs relating to leasing activities

	2024	2023
The expenses relating to short-term leases	\$5,739	\$7,142

D. Cash outflow relating to leasing activities

The Group's total cash outflows for leases for the years ended 31 December 2024 and 2023 amounted to NT\$12,000 thousand and NT\$11,596 thousand, respectively.

23. Employee benefit, depreciation, and amortization expense are summarized as follows:

	2024			2023		
	Operating costs	Operating expenses	Total Amount	Operating costs	Operating expenses	Total Amount
Employee benefits expense						
Salaries	\$208,855	\$109,346	\$318,201	\$179,592	\$102,850	\$282,442
Labor and health insurance	26,191	4,842	31,033	19,650	4,814	24,464
Pension	7,214	3,107	10,321	6,058	4,240	10,298
Remuneration of directors	-	50,637	50,637	-	48,320	48,320
Other personnel expenses	15,437	2,636	18,073	11,103	2,936	14,039
Depreciation	40,544	18,050	58,594	36,962	14,978	51,940
Amortization	86,479	611	87,090	76,598	343	76,941

According to the Articles of Incorporation, 2% of profit of the current year is distributable as employees' compensation and no higher than 4% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition, thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit level, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2024 to be in the amount of NT\$50,319 thousand and NT\$44,169 thousand, respectively, recognized as employee benefits expense. Based on the profit level, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2023 to be in the amount of NT\$46,460 thousand and NT\$40,782 thousand, respectively, which was recognized as employee benefits expense.

A resolution was approved at a Board meeting held on 11 March 2025 to distribute NT\$50,319 thousand and NT\$44,169 thousand in cash as employee's compensation and remuneration to directors and supervisors, respectively. There is no significant difference between the distributed employee bonuses and remuneration to directors and supervisors and the amount recognized as employee benefits expense in the financial statements for the year ended 31 December 2024.

No material differences existed between the estimated amounts and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended 31 December 2023.

24. Non-operating income and expenses

(1) Other income

	2024	2023
Interest income	\$19,462	\$10,918
Other income-other	7,484	7,824
Total	\$26,946	\$18,742

(2) Other gains and losses

	2024	2023
Gain (loss) on disposal of property, plant and equipment	\$2,118	\$(1,694)
Non-financial asset impairment (loss)	-	(2,498)
Foreign exchange gain (loss), net	23,554	(1,505)
Impairment (loss) of financial assets	-	(219,806)
Others	(2,490)	(2,923)
Total	\$23,182	\$(228,426)

(3) Finance costs

	2024	2023
Interest on borrowings from bank	\$(16,427)	\$(16,302)
Interest on bonds payable	(193)	(178)
Interest on lease liabilities	(693)	(578)
Total	\$(17,313)	\$(17,058)

25. Components of other comprehensive income

For the year ended 31 December 2024

	Arising during the period	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Gains on remeasurements of defined benefit plans	\$4,193	\$(839)	\$3,354
Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	159,864	-	159,864
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation	(916)	-	(916)
Total other comprehensive income	<u>\$163,141</u>	<u>\$(839)</u>	<u>\$162,302</u>

For the year ended 31 December 2023

	Arising during the period	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
(Losses) on remeasurements of defined benefit plans	\$(11,205)	\$2,241	\$(8,964)
Unrealised (losses) from investments in equity instruments measured at fair value through other comprehensive income	(146,326)	-	(146,326)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation	(3,130)	-	(3,130)
Total other comprehensive income	<u>\$(160,661)</u>	<u>\$2,241</u>	<u>\$(158,420)</u>

26. Income tax

The major components of income tax expense (income) for the years ended 2024 and 2023 were as follows:

<u>Income tax expense (income) recognized in profit or loss</u>	<u>2024</u>	<u>2023</u>
Current income tax expense:		
Current income tax charge	\$204,686	\$254,275
Adjustments in respect of current income tax of prior periods	(2,193)	(109)
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	18,662	35,923
Total income tax expense	<u>\$221,155</u>	<u>\$290,089</u>

Income tax recognized in other comprehensive income

	2024	2023
Deferred income tax expenses (benefits):		
Gains (losses) on remeasurements of defined benefit plans	\$839	\$(2,241)
Income tax related to other comprehensive profit and loss components	<u>\$839</u>	<u>\$(2,241)</u>

A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

	2024	2023
Accounting profit before tax from continuing operations	<u>\$1,130,305</u>	<u>\$1,103,837</u>
Tax amount calculated at the domestic tax rate applicable to income in relevant countries	\$242,778	\$248,355
Tax effect of revenues exempt from taxation	(16,110)	(26,136)
Tax effect of expenses not deductible for tax purposes	84	316
Tax effect of deferred tax assets/liabilities	(4,555)	49,661
Adjustments in respect of current income tax of prior periods	(2,193)	(109)
Undistributed retained earnings - levy	1,151	18,002
Total income tax expense recognized in profit and loss	<u>\$221,155</u>	<u>\$290,089</u>

The balance of deferred income tax assets (liabilities) related to the following items:

For the year ended 31 December 2024:

	Opening Balance	Recognized in profit and loss	Recognized in others	Comprehensive profit and loss	Ending balance
Temporary difference					
Net defined benefit liabilities-non-current	\$2,339	\$(186)	\$(839)	\$1,314	
Unrealized impairment loss	8,393	(13)	-	8,380	
Land appreciation tax preparation	(13,383)	-	-	(13,383)	
Investment under the equity method	(136,916)	-	-	(136,916)	
Lease concession agreement	(166,395)	(19,524)	-	(185,919)	
Other	11,673	1,061	-	12,734	
Deferred income tax benefits (expenses)			\$(18,662)	\$(839)	
Deferred income tax assets/(liabilities) net	<u>\$(294,289)</u>				<u>\$(313,790)</u>
The information expressed on the balance sheet is as follows:					
Deferred tax assets	\$27,413				\$28,629
Deferred tax liabilities	<u>\$(321,702)</u>				<u>\$(342,419)</u>

For the year ended 31 December 2023:

	Opening Balance	Recognized in profit and loss	Recognized in others Comprehensive profit and loss	Ending balance
Temporary difference				
Net defined benefit liabilities-non-current	\$1,557	\$(1,459)	\$2,241	\$2,339
Unrealized impairment loss	11,907	(3,514)	-	8,393
Land appreciation tax preparation	(13,383)	-	-	(13,383)
Investment under the equity method	(136,916)	-	-	(136,916)
Lease concession agreement	(149,175)	(17,220)	-	(166,395)
Other	25,403	(13,730)	-	\$11,673
Deferred income tax benefits (expenses)				
Deferred income tax assets/(liabilities) net	<u><u>\$(260,607)</u></u>			<u><u>\$(294,289)</u></u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u><u>\$42,415</u></u>			<u><u>\$27,413</u></u>
Deferred tax liabilities	<u><u>\$(303,022)</u></u>			<u><u>\$(321,702)</u></u>

The information on unused tax losses of the Group is summarized as follows:

Year of occurrence	Unused balance		
	31 Dec. 2024	31 Dec. 2023	Last deductible year
2013	\$-	\$36,950	2023
2014	30,842	30,842	2024
2015	32,926	32,926	2025
2016	4,867	5,455	2026
2017	21,780	21,780	2027
2018	35,078	35,078	2028
2019	37,494	37,494	2029
2020	34,867	34,867	2030
2021	31,377	31,377	2031
2022	13,326	13,326	2032
2023	17,430	17,430	2033
2024	4,892	-	2034
	<u><u>\$264,879</u></u>	<u><u>\$297,525</u></u>	

Unrecognized deferred income tax assets

As at 31 December 2024 and 2023, the total amount of unrecognized deferred income tax assets of the Group was NT\$101,217 thousand and NT\$85,775 thousand, respectively.

The assessment of income tax returns

As at 31 December 2024, the Group's income tax filings were as follows:

The assessment of income tax returns	
The Company	Assessment and approved up to 2022
Subsidiary – Hsiyu	Assessment and approved up to 2022
Subsidiary – Ding Teng	Assessment and approved up to 2022
Subsidiary – Jian-yi	Assessment and approved up to 2022
Subsidiary – Kuo Chuang	Assessment and approved up to 2022
Subsidiary – Kuo Hsin	Assessment and approved up to 2022
Subsidiary – Jie Mao	Assessment and approved up to 2022
Subsidiary – Kuo Yang	Assessment and approved up to 2022

27. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible bonds payable) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2024	2023
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u><u>\$837,206</u></u>	<u><u>\$713,870</u></u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u><u>248,078</u></u>	<u><u>248,078</u></u>
Basic earnings per share (NT\$)	<u><u>\$3.37</u></u>	<u><u>\$2.88</u></u>
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u><u>\$837,206</u></u>	<u><u>\$713,870</u></u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,078	248,078
Effect of dilution:		
Employee compensation - stock (in thousands)	<u><u>1,165</u></u>	<u><u>1,134</u></u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u><u>249,243</u></u>	<u><u>249,212</u></u>
Diluted earnings per share (NT\$)	<u><u>\$3.36</u></u>	<u><u>\$2.86</u></u>

During the reporting date and the date the financial statement was prepared, no other transactions affected the common shares and dilutive potential ordinary shares.

28. Subsidiaries that have material non-controlling interests

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity held by non-controlling interests:

Name of the subsidiary	Country of Incorporation and operation	31 Dec. 2024	31 Dec. 2023
Ding Teng Co., Ltd.	Taiwan	49.50%	49.50%

Accumulated balances of material non-controlling interest:

Ding Teng Co., Ltd.	31 Dec. 2024	31 Dec. 2023
	\$1,741,121	\$1,697,767

Profit (loss) allocated to material non-controlling interest:

Ding Teng Co., Ltd.	2024	2023
	\$73,055	\$100,731

Dividends paid to material non-controlling interest:

Ding Teng Co., Ltd.	2024	2023
	\$29,701	\$24,750

The summarized financial information of these subsidiaries is provided below. This information is based on the amount before the inter-company eliminations.

Summarized information of profit and loss for the year ended 2024:

	Ding Teng Co., Ltd.
Operating revenue	\$-
Net profit from continuing operations	\$147,583
Other comprehensive profit/loss from continuing operations	-
Total comprehensive income	<u>\$147,583</u>

Summarized information of profit and loss for the year ended 2023:

	Ding Teng Co., Ltd.
Operating revenue	\$-
Net profit from continuing operations	\$203,497
Other comprehensive profit/loss from continuing operations	-
Total comprehensive income	<u>\$203,497</u>

Summarized information of financial position as at 31 December 2024:

	Ding Teng Co., Ltd.
Current asset	\$5,678
Non-current asset	3,513,443
Current liability	(1,705)
Non-current liability	-

Summarized information of financial position as at 31 December 2023:

	Ding Teng Co., Ltd.
Current asset	\$5,645
Non-current asset	3,426,448
Current liability	(2,261)
Non-current liability	-

Summarized cash flow information for the year ended 2024:

	Ding Teng Co., Ltd.
Operating activities	\$33
Investing activities	-
Financing activities	-
Exchange rate effects	-
Net (increase) cash and cash equivalents	<u><u>\$33</u></u>

Summarized cash flow information for the year ended 2023:

	Ding Teng Co., Ltd.
Operating activities	\$(1,415)
Investing activities	-
Financing activities	-
Exchange rate effects	-
Net (decrease in) cash and cash equivalents	<u><u>\$(1,415)</u></u>

VII. RELATED PARTIES TRANSACTIONS

Information of the related parties that had transactions with the Group during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Xiamen Guoxin Century Technology Co., Ltd. (Xiamen Guoxin)	Affiliates of the Group (Note 1)
Shang Ting Construction Co., Ltd.	Substantive related party
Lian Chuang Enterprise Co., Ltd.	Substantive related party
Hung Ya Man	Director and president of the Company
Ye Qing Zheng	President of the Company (Note 2)
Du Guan Zhen	Vice president of the Company

Note 1: As a result of the lawsuit of Xiamen Guoxin Century Technology Co., Ltd., a subsidiary of the Group (please refer to Note IX(VII).2 for details), the Group will lose control and significant influence over the subsidiary on 31 December 2022. Therefore, the investment accounted for using the equity method was discontinued and transferred to financial assets measured at fair value through other comprehensive gains and losses. After losing control, Xiamen Guoxin was listed as an affiliated enterprise of the Group.

Note 2: Stepped down from the position of the Company's president on 14 June 2021.

Significant with related parties transactions

1. Long-term accounts receivables

	31 Dec. 2024	31 Dec. 2023
Xiamen Guoxin (Note)	\$125,996	\$121,724

(Note) The Group's subsidiary, Marvel Line Co., Ltd. (hereinafter referred to as "Marvel Line"), held 91% of the shares of Xiamen Guoxin. The Group assessed that it lost control and significant influence over Xiamen Guoxin as at 31 December 2022 (please refer to Note IX (VII).2). Therefore, Marvel Line' financing of NT\$253,821 thousand (CNY 57,000 thousand) to Xiamen Guoxin recognized interest receivable in the amount of NT\$94,831 thousand (CNY 21,296 thousand), which was reclassified as long-term receivables. The Group has assessed the recoverability of other receivables and recognized an allowance for doubtful accounts for the year ended 31 December 2023, with the allowance amounting to NT\$222,656 thousand (CNY 50,001 thousand) as at 31 December 2024,. Additionally, there has been no change in the original currency amount of transactions with related parties; the variation is due to exchange rate effects. For further details, please refer to Note IX (VII).2.

2. Others

- a. As at 31 December 2024 and 2023, the Group borrowed money from financial institutions. In accordance with the requirements of part of the loan contract, the Group's key management provided joint guarantees.
- b. As at 31 December 2024, the group and its related parties have jointly contracted engineering projects.

3. Key management personnel compensation

	2024	2023
Short-term employee benefits	\$99,100	\$77,787
Post-employment benefits	1,456	1,189
Total	\$100,556	\$78,976

VIII. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Group pledged as security:

Items	Book value		Purpose of pledge
	31 Dec. 2024	31 Dec. 2023	
Financial assets at amortised cost - current	\$887,105	\$709,052	Current borrowings, Short-term notes and bills payable, Penghu desalinated water contact performance guarantee, and construction performance guarantee
Financial assets at amortised cost – non-current	39,200	107,694	CPC credit sales collateral, Long-term borrowings
Service concession receivable (Including current)	4,161,353	3,304,873	Long-term borrowings, Current borrowings
Property, plant and equipment	167,376	172,718	Long-term borrowings, Current borrowings
(Note)	456,326	474,853	Bond
Total	\$5,711,360	\$4,769,190	

(Note) The shares of the subsidiary, which has been eliminated while preparing the consolidated financial statement.

IX. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

1. The guarantee notes deposit issued by the Group for related operating needs are as follows:

	31 Dec. 2024	31 Dec. 2023
Performance guarantee for purchase contract	\$4,000	\$5,000
Performance guarantee for sales contract	221,480	86,061
Performance guarantee for financing contracts	200,000	200,000
Total	<u><u>\$425,480</u></u>	<u><u>\$291,061</u></u>

2. The performance guarantee issued by the bank for the Group's contracting projects is as follows:

	31 Dec. 2024	31 Dec. 2023
Guarantee of performance of the contracted work	\$2,063,597	\$1,627,479
Guarantee of performance in the contract of sale	-	5,000
Total	<u><u>\$2,063,597</u></u>	<u><u>\$1,632,479</u></u>

3. As at 31 December 2024 and 2023, the Group issued NT\$251,575 thousand of common bonds for the first time in 2022, which were guaranteed by banks.

- As at 31 December 2024, the Group' long-term and current borrowings were guaranteed by promissory notes issued under financing lines or drawdown lines, which were not included in the financial statements because of the nature of contingent liabilities.
- As at 31 December 2024, the credit line of the Group's issued but unused letter of credit amounted to NT\$760 thousand.

6. Joint venture contract:

Participants of the joint venture contracts	Case	31 Dec. 2024		31 Dec. 2023	
		Contract Total Price	Contract Proportion	Contract Total price	Contract Proportion
Mountain Forestry and Water Environmental Engineering Co., Ltd.	A	\$3,110,476	65.00%	\$3,110,476	65.00%
And Chin Cheng Construction Co., Ltd.					
Sheng Ho Construction Co., Ltd	B	379,638	30.00%	379,638	30.00%
Kao Kun Construction Co., Ltd.	C	1,722,857	25.00%	1,722,857	25.00%
Sheng Ho Construction Co., Ltd.	D	1,266,667	20.00%	1,266,667	20.00%
Yu Lin Engineering Co., Ltd.	E	420,952	20.00%	420,952	20.00%
Yu Lin Engineering Co., Ltd.	F	854,000	20.00%	854,000	20.00%
BES Engineering Corporation	G	19,966,430	43.00%	-	-
Sheng Ho Construction Co., Ltd	H	2,123,800	30.00%	-	-
De Yi Construction Co., Ltd.	I	2,208,571	10.00%	-	-
Lian Chuang Enterprise Co., Ltd.	J	338,095	30.00%	-	-
Shang Ting Construction Co., Ltd. And Lian Chuang Enterprise Co., Ltd.	K	770,476	70.00%	-	-
Total		<u><u>\$33,161,962</u></u>		<u><u>\$7,754,590</u></u>	

7. Contingent liabilities:

(1) The Group's contract for the "Construction of additional 4,000-ton desalination plant in Magong (Magong No. 2 Desalination Plant Phase I)," for which the proprietor determined that the deadline for performance of the contract was 12 December 2019, considered that the Group had been overdue for 405 days and calculated the overdue penalty based on the uncompleted percentage of 25.73%, and intended to impose an overdue penalty of NT\$132,044 thousand on the Group. After evaluating the relevant documents and analyzing the legal opinions, the Group considered that the reasons for the delay of the project included the location change of the seawater intake station, the impact of the amendment of the regulations and the impact of Covid-19 that prevented the entry of foreign technicians, etc., which could not be attributed to the Group, and would negotiate with the proprietor to extend the deadline of the contract. In addition, the percentage of uncompleted works as at 12 December 2019 was determined by the proprietor to be 25.73%, while the actual percentage of uncompleted works according to the Group's construction records should be 3.78%. The Group negotiated with the proprietor to redetermine the percentage. The Group received a letter from the proprietor on 6 August 2021. Due to the amendment to the Labor Standards Act, the Group agreed to extend the construction period by 36 days; therefore, the deadline for the completion of the contract was 18 January 2020. The proprietor considered that the Group had been overdue for 368 days and should be fined NT\$115,867 thousand for the violation and withheld the settlement of the accepted project amount (recorded as long-term accounts receivables).

The Group claimed that the change in the location of the seawater intake station affected the construction period, and thus a 130-day construction period should be granted. Based on the 96.22% completion rate of the construction log on the date of the final performance deadline, the remaining work should be 3.78%, and the amount of late penalty should be calculated after calculating the daily late penalty.

As stated above, the Group assessed the possible overdue penalties from approximately NT\$10,310 thousand to NT\$29,813 thousand, and therefore the Group estimated the overdue penalties of NT\$29,813 thousand in the account. On 9 January 2023, our group filed a civil lawsuit with the Taichung District Court in Taiwan, requesting the payment of contract amounts. This lawsuit is aimed at recovering a total of NT\$223,731 thousand, which includes the amounts temporarily withheld by the owner for the settlement and acceptance of the project, as well as the related amounts advanced for the overdue construction period.

On 4 February 2025, our group received a civil judgment from the Taichung District Court in Taiwan. The judgment stated that the judge, based on Article 252 of the Civil Code, reduced the amount that the owner should pay for the temporarily withheld settlement and acceptance of the project. In response to the judgment, our group filed an appeal with the Taichung District Court on 18 February 2025. As of the date of the consolidated financial statements, this case is still under review by the Taichung District Court, and the outcome of the aforementioned lawsuit cannot be estimated at this time.

(2) On 29 August 2022, the Group held an extraordinary shareholders' meeting as a shareholder of its subsidiary, Xiamen Guoxin Century Technology Company Limited (hereinafter referred to as "Xiamen Guoxin"), and resolved to approve the re-election of all directors and supervisors, change the address of Xiamen Guoxin and amend the articles of association of Xiamen Guoxin, but the former management of Xiamen Guoxin did not recognize the resolution of the extraordinary shareholders' meeting held on 29 August 2022 and refused to cooperate with the handover procedures. Therefore, in order to ensure the legitimate rights and interests of shareholders, the Group filed an action with the Haicang Court in Xiamen City, Fujian Province against the former management of Xiamen Guoxin for the return of the relevant licenses on 17 October 2022, and the Group accepted the lawyer's suggestion to further file the following lawsuits:

A. Case of invalidity of Article of Incorporation: a lawsuit against the unestablished and invalid Articles of Incorporation amended by the original management. The Group originally filed a lawsuit for the return of certificates on 17 October 2022, and filed a lawsuit for the shareholder dispute involving third parties on 6 February 2023. The lawyer assessed that the Articles of Incorporation amended by the original management shall be invalid and the lawsuit shall be filed based on the result of the trial against the invalidity of Article of Incorporation as the basis for the subsequent certificates return ruling. Therefore, it was proposed to suspend the lawsuits for certificates return and the shareholder dispute. The case was scheduled to be heard on 11 May 2023, but was postponed because the court planned to add other shareholders of Xiamen Guoxin Century Technology Co., Ltd. to appear as third parties and the procedures had not yet been completed, resulting in the hearing to be postponed. In the case of the license return lawsuit, our group filed a retrial application with the Fujian Provincial High People's Court on 6 February 2024. On 21 October 2024, we received a civil ruling that rejected the retrial application. The shareholder dispute case was adjudicated by the Haicang Court of Xiamen City on 1 November 2023, and was heard together with the case of invalidity of the Articles of Incorporation. The case of invalidity of the Articles of Incorporation and shareholder dispute were not adjudicated after the first and second trials held on 20 October 2023 and 18 December 2023, respectively. On 25 March 2024, our group received a judgment from the Haicang Court in Xiamen, confirming the invalidity of the articles of association revised by the original management and rejecting the shareholders' dispute lawsuit. This case is still subject to appeal. The original management and shareholders of Xiamen Guoxin have appealed the judgment to the Xiamen Haicang Intermediate People's Court. The case was formally accepted and filed by the court, with a hearing held on 12 August 2024. On 14 October 2024, our group received a judgment from the Haicang Court, which rejected the appeal by the original management and shareholders of Xiamen Guoxin, upholding the original ruling. This case has concluded its execution. Subsequently, due to the original management of Xiamen Guoxin not actively complying with the judgment, our group applied for compulsory enforcement with the Haicang Court on 21 January 2025. The court accepted the case on 6 February 2025, and our group will exercise shareholders' rights in accordance with the law.

B. Case of loan dispute: The Group loaned funds to Xiamen Guoxin Century Technology Co., Ltd. before the Group lost control and significant influence over it. In order to ensure the Group's creditor's rights, it filed a lawsuit for loan dispute in the court and applied to the court for property preservation in the amount of CNY64,646 thousand at the same time. The case was originally scheduled to be heard on 6 June 2023, but the court held that the issue of Xiamen Guoxin's right to respond to the lawsuit should be confirmed before hearing the case, so the hearing was postponed. The Group received notice of the civil ruling from the Supreme People's Court of the People's Republic of China on 5 September 2023, and the case would be transferred to the Second International Commercial Court of the Supreme People's Court of the People's Republic of China for trial. The case was heard on 28 May 2024. As of the date of the consolidated financial statements, the aforementioned case is still under review by the Supreme People's Court of the People's Republic of China, and the outcome of the lawsuit cannot be estimated at this time.

C. Case of shareholders' right to know: The Group filed a lawsuit in accordance with the laws and regulations to enforce the shareholders' right to know regarding the relevant information on Xiamen Guoxin Century Technology Co., Ltd. This case was originally scheduled to be heard on 29 May 2023, but the court later held that the case shall be ruled based on the verdict of the invalidity of Articles of Incorporation case, so the hearing was postponed, and the proceedings of this case were suspended on 3 July 2023. The Group was served a summons from the Haicang Court of Xiamen City on 6 November 2023, and the trial was heard on 30 November 2023. Subsequently, the Haicang Court of Xiamen City presided over the mediation between the two parties on 18 December 2023, and the two parties signed a mediation agreement and issued a civil mediation letter on 25 December 2023. Since the content of Xiamen Guoxin's performance was inconsistent with the mediation agreement, the Group has applied for compulsory execution to the Haicang Court of Xiamen City. The Haicang Court of Xiamen City accepted and filed the case on 4 February 2024. After applying for an investigation order for compulsory enforcement, we obtained relevant information regarding Xiamen Guoxin. The case has concluded its execution. Moving forward, our group will take necessary actions in accordance with the law to protect the rights and interests of the shareholders, depending on the actual circumstances.

As of the issuance date of the consolidated financial statements, the above-mentioned cases were still pending and the verdict of the aforementioned litigation cannot yet be estimated. The Group has assessed the recoverability of other receivables and recognized an allowance for doubtful accounts for the year ended 31 December 2023, with the allowance amounting to NT\$222,656 thousand (CNY 50,001 thousand) as at 31 December 2024,. Additionally, there has been no change in the original currency amount of transactions with related parties; the variation is due to exchange rate effects, which will be adjusted and carried to the books based on the actual recoverable amount of other receivables when the verdict of the aforementioned litigation is determined.

(3) On 2 August 2022, a former employee of the Group, Mr. Fu, filed a civil action in the Pingtung District Court in Taiwan to confirm the existence of the employment relationship, seeking compensation for the retirement benefits plus the expatriate allowance and damages of NT\$15,410 thousand resulting from the arbitrary termination of the employment relationship between the Group and him.

The Group did not unlawfully terminate Fu's appointment as a manager in accordance with the Company Act. Fu served as the general manager of the overseas investee company without the Group's consent and did not return to Taiwan at the Group's request; therefore, the Group terminated the employment relationship in accordance with the Labor Standards Act. On 2 November 2023, the fifth oral argument was proceeded in Taiwan Pingtung District Court. The Group has estimated that the pensions expected to be paid in the amount of NT\$5,734 thousand, which was recorded in the accounts as net defined benefit liabilities, non-current, and was deposited in Taiwan Kaohsiung District Court. Subsequently, the Group received a civil judgment from Taiwan Pingtung District Court on 30 November 2023 in favor of the Group. The Group filed a civil claim form for the final certificate to Taiwan Pingtung District Court on 9 January 2024, and received the final certificate on 29 January 2024. As of the issuance date of the consolidated financial statements, the case was closed after Mr. Fu withdrew the pension lodged at Taiwan Kaohsiung District Court.

8. Commitment:

(1) The Group's subsidiary, Hsiyu Seawater Desalination Co., Ltd. (hereinafter referred to as "Hsiyu Desalination Company"), entered into an "Investment Contract for Nongovernmental Participation in the Construction and Operation of Penghu Hsiyu Seawater Desalination Plant" with Taiwan Water Supply Co., Ltd. on 27 December 2005. The main content of the contract is extracted below:

A. The range of the contract includes participation in the construction and operation of the Penghu Hsiyu seawater desalination plant and the construction, operation and transfer of its related auxiliary facilities or operating auxiliary businesses.

B. The construction period starts from the date of contract execution to the date when the construction of this project is completed and the test run is passed: the operating period starts from the date of commencement of operation to the expiration date the contract period, for a term of 15 years.

C. Whenever there is a change in the registration items, various licenses or Articles of Incorporation of Hsiyu Desalination Company, Hsiyu Desalination Company should notify Taiwan Water Supply Co., Ltd. and attach relevant supporting documents within 30 days after the completion of each registration adjustment.

D. During the contract period, Hsiyu Desalination Company's self-owned capital ratio should not be lower than 25% of the total investment set on the investment plan date.

- E. Hsiyu Desalination Company should transfer the ownership of the property under this project to Taiwan Water Supply Co., Ltd. after the completion of the construction and obtaining approval from Taiwan Water Supply Co., Ltd. within 30 days. Taiwan Water Supply Co., Ltd. should pass the acceptance of all the constructions in this project, and Hsiyu Desalination Company shall pay NT\$165,000 thousand for the construction of the project within one month from the following day of providing NT\$165,000 thousand for the performance guarantee during the operation period.
- F. During the operation period, Taiwan Water Supply Co., Ltd. should pay Hsiyu Desalination Company the operation and maintenance fee in accordance with the contract.
- G. Performance Guarantee:
 - (A) The amount of the performance guarantee during the construction period was NT\$16,500 thousand and the period will end 90 days after the commencement of operation.
 - (B) The amount of the performance guarantee during the operation period was NT\$165,000 thousand and the period will end 90 days after Hsiyu Desalination Company completes the return of the plan assets, and there are no other matters to be done.
 - (C) In one month after Hsiyu Desalination Company commences operations and pays the performance bond, if there is no such occurrence that the performance bond should be forfeited, Taiwan Water Supply Co., Ltd. should release the responsibility for the performance bond during the construction period or return the performance bond interest-free.
 - (D) After Hsiyu Desalination Company completes its performance operation for one year, the performance bond during the operation period can reduce NT\$10,000 thousand compared to the previous year. If no performance bond should be forfeited, Taiwan Water Supply Co., Ltd. should release the responsibility for the performance bond during the construction period as the amount mentioned above or return the performance bond interest-free.

H. Dealing and the responsibility of breaching the contract

- (A) The breach of contract attributable to the Company in accordance with the construction and operation contract is as follows:
 - a. Within 6 months after the signing of this contract, the signing of a financing contract with a major financial institution cannot be done.
 - b. Major mistake on the construction quality
 - c. Seriously behind the construction process
 - d. Use for other purposes
 - e. Continuously interrupting the supply of desalinated water for more than 3 days.
 - f. The water has not reached 750 cubic meters for 15 consecutive days, or the total volume of desalinated water for accumulated 60 days in a year (calculated as 365 consecutive days) has not reached 750 cubic meters.
 - g. Entrust or transfer to a third party to operate

h. Other matters that should be considered or treated as breaching the contract according to the regulations of this contract.

(B) Dealing with the Breach of Contract

- a. Request improvement within a fixed period
- b. Impose punitive damage
- c. Notify to take over
- d. Terminate the contract

(2) The Group's subsidiary- Kuo Yang Environment Technology Co., Ltd. (hereinafter referred to as "Kuo Yang Environmental Company") entered into the "Investment Contract for the Construction and Operation Transfer Plan of Sewerage Construction" with Miaoli County Government on 24 March 2009. The main contents of the contract are extracted below:

A. The construction of the operation transfer plan includes the water recycling center, sewerage pipe network system of the urban planning area of Miaoli Zhunan Toufen (including the specific area of Toufen highway); the operation, execution and management of user takeover; the maintenance and increment of the related investment.

B. The concession period of the construction transfer plan for the sewerage system, including concession construction and operation period, has a total of 35 years since the day of signing.

C. The sewage treatment fees paid by Miaoli County Government can be divided into construction fees and operating expenses. Construction fees are calculated on the basis of a fixed monthly amortization amount, and operating expenses are calculated on the basis of the sewage volume.

(A) Items that can be listed as construction fees include:

- a. Construction cost of the water recycling center's auxiliary facilities
- b. Construction cost of main pipes, sub-main pipes and branch pipe network system of sewerage
- c. Replacement cost of water recycling center

(B) Items that can be listed as operating expenses include:

- a. Construction cost of user takeover
- b. Operating and maintenance expenses for the water recycling center, sewerage network system and user takeover.

D. When the contents of the registration or approval of Kuo Yang Environmental Company are adjusted or the directors and supervisors are changed, within 30 days after the completion of each registration adjustment, the revised content or a copy of the articles of incorporation and the new director and supervisor's list should be submitted to Miaoli County Government for future reference.

- E. The proportion of shares held by the promotor during the construction period should be maintained at higher than 50% of the paid-in capital.
- F. During the concession period, at least 30% of its own funds should be maintained.
- G. When the concession expires, the asset transfer plan is proposed two years before the expiration to start negotiating and signing the “asset transfer contract,” and the signing of the “asset transfer contract” should be completed 18 months before the expiration.
- H. Transfer before the concession expires
 - (A) Terminate within 5 years after signing the contract: The transfer price is 70% of the appraisal price concluded by the appraiser.
 - (B) Terminate after 5 years of signing the contract: The transfer price will be reduced by 5% according to the above-mentioned pricing method, and will be reduced by 5% every five years during the termination period.
- I. Performance Guarantee:
 - (A) Before signing the contract, the Group provides a performance bond of NT\$150 million, and the period will be 6 months after the completion of the transfer of all assets by Kuo Yang Environmental Company.
 - (B) If Kuo Yang Environmental Company does not breach the contract during the contract period, Miaoli County Government will return the performance bond in the following ways: when the first phase of water recycling center starts operation: 25%; when the second phase of water recycling center starts operation: 25%; six months after the completion of the transfer of assets after the expiration: 50%
- J. Dealing with the breach of contract
 - (A) According to the contract, the breach of contract attributable to Kuo Yang Environmental Company is as follows:
 - a. Failed to start operations in accordance with the contract
 - b. Failed to complete the construction of water recycling center within the due date
 - c. Failed to complete the expansion of the water recycling center within the due date.
 - d. Failed to complete user takeover within the due date
 - e. The construction progress is 20% behind
 - (B) Treatment of breach of contract: After Miaoli County Government has identified a major breach of contract, the following measures may be taken:
 - a. Suspend part or all of the construction and operation
 - b. The financing institution will select other institutions that comply with the regulations and temporarily take over Kuo Yang Environmental company or continue to construct and operate.
 - c. Terminate the contract.

X. LOSSES DUE TO MAJOR DISASTERS

None.

XI. SIGNIFICANT SUBSEQUENT EVENTS

None.

XII. OTHER

1. Categories of financial instruments

Financial Assets

	31 Dec. 2024	31 Dec. 2023
Financial assets at fair value through other comprehensive income	<u>\$871,549</u>	<u>\$637,087</u>
Financial assets at amortised cost:		
Cash and cash equivalents (excluding cash on hand)	956,676	1,192,593
Financial assets at amortised cost (current and non-current)	1,527,953	1,045,246
Notes receivables	46,826	7,785
Accounts receivables	522,804	522,336
Other receivables	4,312	907
Construction refundable deposits	31,987	27,563
Refundable deposits	23,404	52,099
Long-term accounts receivables	<u>4,223,179</u>	<u>3,410,594</u>
Subtotal	<u>7,337,141</u>	<u>6,259,123</u>
Total	<u><u>\$8,208,690</u></u>	<u><u>\$6,896,210</u></u>

Financial Liabilities

	31 Dec. 2024	31 Dec. 2023
Financial liabilities at amortized cost:		
Current borrowings and short-term notes and bills payable	\$833,345	\$351,500
Payments payable	1,032,800	963,500
Bonds payable (current portion included)	249,995	249,802
Long-term borrowings (current portion included)	2,339,995	2,191,081
Lease liability (current and non-current)	22,624	25,614
Refundable deposits received (recognized as other current liabilities - others)	19,075	20,291
Total	<u><u>\$4,497,834</u></u>	<u><u>\$3,801,788</u></u>

2. Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables; therefore, natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly affected by USD. Sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2024 and 2023 decreases/increases by NT\$4,247 thousand and NT\$4 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt instrument investments at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering into interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended 2024 and 2023 will decrease by NT\$626 thousand and NT\$259 thousand, respectively.

Equity price risk

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's listed equity securities are classified under held for trading financial assets or available-for-sale financial assets, while unlisted equity securities are classified as available-for-sale. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

At the reporting date, a change of 1% in the price of the listed companies stocks classified as equity instruments investments measured at fair value through other comprehensive income could have an impact of NT\$696 thousand and NT\$0 thousand on the equity attributable to the Group for the years ended 2024 and 2023, respectively.

Please refer to Note XII (8) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

4. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for contract assets, accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all counter-parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As at 31 December 2024 and 2023, accounts receivables from top ten customers represented 94% and 98% of the total accounts receivables of the Group, respectively. The credit concentration risk of contract assets and other accounts receivables are insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counterparties.

5. Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, highly liquid equity investments, bank borrowings and convertible bonds. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

Non-derivative financial instruments

	Less than 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total
31 Dec. 2024						
Borrowings	\$556,687	\$777,565	\$314,585	\$910,201	\$861,985	\$3,421,023
Notes and accounts payable	668,295	16,315	46,716	21,425	-	752,751
Other payables	280,049	-	-	-	-	280,049
Bonds payable	251,575	-	-	-	-	251,575
Lease liabilities (Note)	2,609	2,325	4,649	3,693	13,591	26,867
Refundable deposits received	1,035	9,692	2,901	5,447	-	19,075

	Less than 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total
31 Dec. 2023						
Borrowings	\$418,756	\$226,197	\$361,432	\$889,920	\$924,872	\$2,821,177
Notes and accounts payable	702,356	35,108	-	5,379	-	742,843
Other payables	220,657	-	-	-	-	220,657
Bonds payable	1,575	-	251,575	-	-	253,150
Lease liabilities (Note)	3,348	2,588	4,090	6,332	13,863	30,221
Refundable deposits received	4,789	1,530	9,542	4,430	-	20,291

Note: The following table provides further information on the maturity analysis of lease liabilities:

	Overdue				
	Less than 5 year	5 to 10 years	10 to 15 years	> 15 years	Total
31 Dec. 2024	\$13,276	\$4,968	\$4,968	\$3,655	\$26,867
31 Dec. 2023	\$16,357	\$4,703	\$4,703	\$4,458	\$30,221

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for year ended 31 December 2024:

	Current borrowings	Short-term notes and bills payable	Long-term borrowings (current portion included)	Bonds payable (current portion included)	Lease liabilities	Total liabilities from financing activities
1 Jan. 2024	\$301,500	\$50,000	\$2,191,081	\$249,802	\$25,614	\$2,817,997
Cash flows	461,845	20,000	142,380	-	(6,261)	617,964
Non-cash changes	-	-	6,534	193	3,271	9,998
31 Dec. 2024	<u>\$763,345</u>	<u>\$70,000</u>	<u>\$2,339,995</u>	<u>\$249,995</u>	<u>\$22,624</u>	<u>\$3,445,959</u>

Reconciliation of liabilities for the year ended 31 December 2023:

	Current borrowings	Short-term notes and bills payable	Long-term borrowings (current portion included)	Bonds payable (current portion included)	Lease liabilities	Total liabilities from financing activities
1 Jan. 2023	\$489,980	\$-	\$2,279,965	\$249,624	\$15,093	\$3,034,662
Cash flows	(188,480)	50,000	(93,445)	-	(4,454)	(236,379)
Non-cash changes	-	-	4,561	178	14,975	19,714
31 Dec. 2023	<u>\$301,500</u>	<u>\$50,000</u>	<u>\$2,191,081</u>	<u>\$249,802</u>	<u>\$25,614</u>	<u>\$2,817,997</u>

7. Fair value of financial instruments

(1) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- A. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities etc.) at the reporting date.
- C. Fair value of equity instruments without market quotations (including private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- D. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

(2) Fair value of financial instruments measured at amortized cost

The book value of the financial assets and financial liabilities measured at amortized cost by the Group approximated their fair value.

(3) Fair value measurement hierarchy for financial instruments

Please refer to Note XII (8) for fair value measurement hierarchy for financial instruments of the Group.

8. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(2) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As at 31 December 2024

	Level 1	Level 2	Level 3	Total
Assets at fair value through other comprehensive income:				
Financial assets at fair value through other comprehensive income	\$69,583	\$-	\$801,966	\$871,549

As at 31 December 2023

	Level 1	Level 2	Level 3	Total
Assets at fair value through other comprehensive income:				
Financial assets at fair value through other comprehensive income	\$-	\$-	\$637,087	\$637,087

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

Changes in Level 3 of the recurring fair value hierarchy

If the assets and liabilities measured by the recurring fair value of the Group belong to level 3 of the fair value hierarchy, the adjustment of the balance from the beginning to the end is listed as follows:

	Assets
	<u>At fair value through other comprehensive income</u>
1 Jan. 2024	Stock
Total gains and losses recognized	
Amount recognized in OCI	161,036
Exchange difference	3,843
31 Dec. 2024	<u><u>\$801,966</u></u>

	Assets
	<u>At fair value through other comprehensive income</u>
1 Jan. 2023	Stock
Total gains and losses recognized	
Amount recognized in OCI	(146,326)
Reclassification	(1,495)
31 Dec. 2023	<u><u>\$637,087</u></u>

Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

31 December 2024

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Measured at fair value through other comprehensive income					
Stocks	Comparable Public Company Method	Discount for lack of marketability	26%~33%	The higher the lack of marketability, the lower the fair value estimation	When the percentage of lack of marketability increases (decreases) by 2%, the equity of the group will decrease/increase by NT\$13,338 thousand.
	Asset-based method	Discount for lack of marketability	26%	The higher the lack of marketability, the lower the fair value estimation	When the percentage of lack of marketability increases (decreases) by 2%, the equity of the group will decrease/increase by NT\$2,674 thousand.

31 December 2023

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Measured at fair value through other comprehensive income					
Stocks	Comparable Public Company Method	Discount for lack of marketability	26%~33%	The higher the lack of marketability, the lower the fair value estimation	When the percentage of lack of marketability increases (decreases) by 2%, the equity of the group will decrease/increase by NT\$10,648 thousand.
	Asset-based method	Discount for lack of marketability	26%	The higher the lack of marketability, the lower the fair value estimation	When the percentage of lack of marketability increases (decreases) by 2%, the equity of the group will decrease/increase by NT\$2,192 thousand.

Valuation process of Level 3 fair value measurement

The Group's financial accounting department is responsible for fair value verification, using independent sources of information to bring the valuation results closer to the market, confirming that the source of the information is independent, reliable, consistent with other resources, and representing executable prices. In accordance with the Group's accounting policies on each reporting day, the changes in the value of assets and liabilities that need to be remeasured or reassessed should be analyzed to ensure that the valuation results are reasonable.

9. Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	31 December 2024			31 December 2023					
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD			
				USD	JPY	USD			
Financial assets									
Monetary items:									
USD	\$12,974	32.735	\$424,704	\$13	30.655	\$399			
JPY	3	0.208	1	200,001	0.215	43,000			

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Group has various functional currencies. No information about the foreign exchange gains or losses by a specific currency is available. For the years ended 31 December 2024 and 2023, the foreign exchange gains(losses) on monetary financial assets and financial liabilities were NT\$23,554 thousand and NT\$(1,505) thousand, respectively.

10. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

XIII. ADDITIONAL DISCLOSURES

1. The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:

- (1) Financing provided to others for the year ended 31 December 2024: Please refer to Attachment 2.
- (2) Endorsement/Guarantee provided to others for the year ended 31 December 2024: Please refer to Attachment 3.
- (3) Securities held as at 31 December 2024 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 4.
- (4) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2024: None.
- (5) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2024: None.
- (6) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2024: None.
- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2024: Please refer to Attachment 5.
- (8) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as at 31 December 2024: Please refer to Attachment 6.
- (9) Name of the Investee Company, location, etc. (Do not include investees in China): Details in Attachment 7.
- (10) Financial instruments and derivative transactions: None.
- (11) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 1.

2. Investment in Mainland China:

- (1) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 8.
- (2) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: Please refer to Attachment 8.

3. Main Stockholders' Information:

Main stockholders' name, shares holding amount and proportion: None.

XIV. OPERATING SEGMENT INFORMATION

For management purposes, the Group divides operating units based on different goods and services, and divides them into the following three reportable operating segments:

1. Kuo Toong: Manufacturing and trading various prestressed concrete pipes, straight steel pipes, propelling steel pipes, ductile iron pipes, cement products, spare parts, assembling and embedding of various water pipes, and spare parts.
2. Kuo Yang: Machinery installation, other environmental sanitation and pollution prevention services, etc.
3. Other

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

Transfer prices between operating segment are on an arm's length basis in a manner similar to transactions with third parties.

1. Reportable segment income information:

For the year ended 31 December 2024

	Adjustments and				
	Kuo Toong	Kuo Yang	Others	eliminations	Total
Revenue					
External customers	\$4,328,775	\$579,317	\$337,434	\$-	\$5,245,526
Inter-segment (Note)	161,699	-	1,765	(163,464)	-
Total revenue	<u>\$4,490,474</u>	<u>\$579,317</u>	<u>\$339,199</u>	<u>\$(163,464)</u>	<u>\$5,245,526</u>
Segment income	<u>\$1,019,304</u>	<u>\$183,796</u>	<u>\$50,870</u>	<u>\$(123,665)</u>	<u>\$1,130,305</u>

For the year ended 31 December 2023

	<u>Kuo Toong</u>	<u>Kuo Yang</u>	<u>Others</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenue					
External customers	\$2,607,095	\$776,755	\$748,413	\$-	\$4,132,263
Inter-segment (Note)	617,207	-	15,728	(632,935)	-
Total revenue	<u>\$3,224,302</u>	<u>\$776,755</u>	<u>\$764,141</u>	<u>(\$632,935)</u>	<u>\$4,132,263</u>
Segment income	<u>\$945,206</u>	<u>\$255,302</u>	<u>\$(419,248)</u>	<u>\$322,577</u>	<u>\$1,103,837</u>

(Note) Revenue between departments is eliminated at the time of consolidation and reflected under “adjustments and eliminations”.

2. Product type and labor service type information:

The combined Company's revenue information from external customers is as follows:

<u>Product and service name</u>	<u>2024</u>	<u>2023</u>
Pipe fittings	\$842,503	\$971,091
Public works construction income	3,730,594	2,256,554
Water treatment project contracting income	218,768	354,207
- Service concession agreement		
Water treatment operation and maintenance income	255,362	390,239
Service franchise interest income	194,002	159,321
Other income	4,297	851
Total	<u>\$5,245,526</u>	<u>\$4,132,263</u>

3. Financial Information by Region:

(1) From outside client revenue:

	<u>2024</u>	<u>2023</u>
Taiwan	<u>\$5,245,526</u>	<u>\$4,132,263</u>

Revenue is classified based on the country where the customer is located.

(2) Non-current assets:

	<u>31 Dec. 2024</u>	<u>31 Dec. 2023</u>
Taiwan	<u>\$2,280,030</u>	<u>\$2,161,264</u>

The non-current assets of the Group include PPE, right-of-use assets, intangible assets and other non-current assets, but do not include financial instruments and deferred tax assets.

4. Important client information:

	2024	2023
Client A	\$1,775,387	\$1,039,366
Client B	946,864	1,335,840
Client C	687,287	-
Client D	583,900	782,988
Client E	(Note)	370,246
Total	\$3,993,438	\$3,528,440

(Note) The sales amount to individual customers by the group for the year ended 31 December 2024 not exceed 10%

5. Reportable segment income reconciliation

	2024	2023
Reportable segment total income	\$1,203,100	\$1,200,508
Other segment income	50,870	(419,248)
Reconciliation and elimination:		
Elimination segment income	(123,665)	322,577
Profit from continuing operations before tax	\$1,130,305	\$1,103,837

Attachment 1: The business relationship, significant transactions and amounts between parent company and subsidiaries:

No. (Note 1)	Related party	Counterparty	Relationship with the Company (Note 2)	Transactions			Percentage of consolidated operating revenues or consolidated total assets (Note 3)
				Account	Amount	Terms	
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Account receivables	\$504,774	No general trading conditions can be compared to	3.77%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Other receivables	74,194	No general trading conditions can be compared to	0.55%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Contract liabilities	45,572	No general trading conditions can be compared to	0.34%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Construction revenues	107,976	No general trading conditions can be compared to	2.06%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Other revenue (interests)	18,691	No general trading conditions can be compared to	0.36%
0	The Company	Kuo Chuang Engineering Co., Ltd.	1	Sales revenue	53,722	No general trading conditions can be compared to	1.02%
0	The Company	Jian-yi Construction Co., Ltd.	1	Contract liabilities	501,391	No general trading conditions can be compared to	3.75%
0	The Company	Jian-yi Construction Co., Ltd.	1	Other payable	14,651	No general trading conditions can be compared to	0.11%

(Note 1) The Company and its subsidiaries are coded as follows:

1. The Company is coded “0”.
2. The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

(Note 2) Transactions are categorized as follows:

1. The holding company to subsidiary.
2. Subsidiary to holding company.
3. Subsidiary to subsidiary.

(Note 3) The percentage with respect to the consolidated asset/liability for transactions of balance sheet items are based on each item's balance at period-end. For profit or loss items, interim cumulative balances are used as basis.

Attachment 2: Financing provided to others

No. (Note 1)	Lender	Counterparty	Financial statement account	Related Party (Note 8)	Maximum balance for the period (Note 7)	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 4)	Amount of sales to (purchases from) counter-party (Note 5)	Reason for short-term financing (Note 6)	Collateral		Limit of financing amount for individual counterparty (Note 2)	Limit of total financing amount (Note 3)	Note
												Item	Value			
1	Marvel Line Co., Ltd.	Xiamen Guoxin Century Technology Co., Ltd.	Long-term accounts receivables	Yes	\$257,640 (CNY 57,000 thousand)	\$253,821 (CNY 57,000 thousand)	\$253,821 (CNY 57,000 thousand)	4.25%	2	\$-	Need for operating	\$222,656 (CNY 50,001 thousand)	-	\$-	\$274,032	\$274,032 (Note 8)

(Note 1) The financial information of the parent company and its subsidiaries are coded as follows:

- (1) The parent company is coded “0”.
- (2) The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

(Note 2) Limit of financing amount for individual counterparty:

- (1) Limit of financing amount for individual counterparty shall not exceed 40% of the net asset value and shall not exceed the amount of business transactions. The amount of business transactions is the amount of business transaction in recent 1 year between lender and the counterparty.
- (2) Necessary for operation: financing amount to individual counterparty shall not exceed 40% of the net asset value.

(Note 3) Limit of total financing amount shall not exceed 40% of the Company's net asset value.

(Note 4) The financing provided to others are coded as follows:

- (1) Business contacts is coded “1”.
- (2) Short-term financing is coded “2”.

(Note 5) If financing provided to others is coded “1”, the amount of business transactions should be filled in. The amount of business transactions is the amount of business transaction in recent 1 year between lender and the counterparty.

(Note 6) If financing provided to others is coded “2”. The reasons for the necessary loans and funds and the use of the loans and objects should be specified, such as refunding, purchasing equipment, need for operating, etc.

(Note 7) The balance of which is at its maximum balance of financing provided to others in the current year.

(Note 8) Xiamen Guoxin Century Technology Co., Ltd. is listed as an affiliate enterprise of the Group (relevant explanations are detailed in Note VII (Note1)). The transactions were disclosed until the day when control was lost, and the transactions between related parties shall not be eliminated when the consolidated statement was compiled from the day when control was lost.

(Note 9) This exchange rate of CNY to New Taiwan dollars was based on 4.453 as of the end of December 2024 as announced by the Company.

(Note 10) This exchange rate of USD to New Taiwan dollars was based on 32.735 as of the end of December 2024 as announced by the Company.

Attachment 3: Endorsement/Guarantee provided to others

No. (Note 1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period (Note 9)	Ending balance (Note 10)	Actual amount provided (Note 11)	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Parent company's guarantee/ endorsement amount to subsidiaries	Subsidiaries' guarantee/ endorsement amount to parent company	Guarantee/ endorsement amount to company in Mainland China	Note
		Company Name	Relationship											
0	The Company	Kuo Yang Environment Technology Co., Ltd.	Subsidiary	\$7,442,346 (Note 4)	\$2,450,000	\$2,450,000	\$2,044,670	None	38.92%	\$12,403,910 (Note 4)	Y	N	N	(Note 12)
0	The Company	Hsiyu Seawater Desalination Co., Ltd.	Subsidiary	7,442,346 (Note 4)	75,000	75,000	55,000	None	1.19%	12,403,910 (Note 4)	Y	N	N	(Note 12)
0	The Company	Kuo Chuang Engineering Co., Ltd.	Subsidiary	4,406,045 (Note 2)	142,000	82,000	44,000	None	1.30%	5,979,633 (Note 3)	Y	N	N	(Note 12)
1	Kuo Hsin Technology Co., Ltd.	The Company	Parent Company of Kuo Hsin	215,000 (Note 5)	110,000	110,000	-	59,128	171.62%	430,000 (Note 6)	N	Y	N	(Note 12)
2	Ding Teng Co., Ltd.	Kuo Yang Environment Technology Co., Ltd.	Subsidiary	5,837,874 (Note 7)	2,450,000	2,450,000	2,044,670	None	69.65%	9,729,790 (Note 8)	Y	N	N	(Note 12)

(Note 1) The Company and its subsidiaries are coded as follows:

- (1) The Company is coded "0".
- (2) The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

(Note 2) Shall not exceed 70% of net asset value of the Company.

(Note 3) Shall not exceed 95% of net asset value of the Company.

(Note 4) The limit of endorsement guarantee for the implementation of the "Promotion of Private Participation in Public Construction Law" for engineering projects is limited to not more than five times the Company's paid-in capital; in addition, for a single enterprise, it is limited to not more than three times the Company's paid-in capital.

(Note 5) Shall not exceed 50% of paid capital of the Endorsor/Guarantor.

(Note 6) Shall not exceed 100% of paid capital of the Endorsor/Guarantor.

(Note 7) Shall not exceed three times net asset value of the Endorsor/Guarantor.

(Note 8) Shall not exceed five times net asset value of the Endorsor/Guarantor.

(Note 9) The balance of which is at its maximum balance of endorsement/guarantee provided to others in the current year.

(Note 10) The guarantee quota/amount the Company and its subsidiaries are approved by the board of directors to endorse for others.

(Note 11) The actual amount drawn by the endorsed guarantee company within the limit of the endorsed guarantee balance.

(Note 12) The above transactions were all made between consolidated entities in the Group and have been reversed.

Attachment 4: Securities held as of 31 December 2024. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities (Note)	Relationship	Financial statement account	as of 31 December 2024				Note
				Shares (thousand)	Book value (thousands)	Percentage of ownership (%)	Fair value	
The Company	Unlisted stock - Harbin Kuo Toong Pipeline Co., Ltd.	NA	Non-current financial assets at fair value through other comprehensive income	10,000,000	\$112,665	25.00%	\$112,665	Not pledged
	Unlisted (counter) stock - Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.	NA	Non-current financial assets at fair value through other comprehensive income	-	-	10.42%	-	Not pledged
	Unlisted (counter) stock - Jhihben International Development Co., Ltd.	NA	Non-current financial assets at fair value through other comprehensive income	3,000,000	-	18.00%	-	Not pledged
	Unlisted (counter) stock - Fujian Taiming Casting Pipes Technology Co., Ltd.	NA	Non-current financial assets at fair value through other comprehensive income	132,250,705	555,577	22.68%	555,577	Not pledged
	Listed (counter) stock - New Asia Construction & Development Corp.	NA	Non-current financial assets at fair value through other comprehensive income	811,000	10,422	0.36%	10,422	Not pledged
			Subtotal		678,664		678,664	
Jie Mao International Co., Ltd.	Unlisted (counter) stock - Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.	NA	Non-current financial assets at fair value through other comprehensive income	-	-	9.73%	-	Not pledged
Marvel Line Co., Ltd.	Unlisted (counter) stock - Xiamen Guoxin Century Technology Co., Ltd.	NA	Non-current financial assets at fair value through other comprehensive income	91,000,000	133,724	91.00%	133,724	Not pledged
Jian-yi Construction Co., Ltd.	Listed (counter) stock - New Asia Construction & Development Corp.	NA	Non-current financial assets at fair value through other comprehensive income	4,604,000	59,161	2.03%	59,161	Not pledged
			Total		\$871,549		\$871,549	

Note: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 "Financial instruments".

Attachment 5: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2024

Related party	Counterparty	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Carrying amount	Percentage of total consolidated receivables (payable)	Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Terms	Unit Price	Terms			
The Company	Kuo Yang Environment Technology Co., Ltd.	Subsidiary	Construction revenue	\$107,976	2.40%	-	-	In accordance with the project contract, the payment will be received after the payment is assessed phase by phase	Accounts receivable \$504,774	63.47%	(Note)
Kuo Yang Environment Technology Co., Ltd.	The Company	Ultimate parent company of Kuo Yang	Construction costs	107,976	28.37%	-	-	Payment according to project contract assessment progress	Accounts payable 504,774	99.75%	(Note)

(Note) The above transactions were all made between consolidated entities in the Group and have been reversed.

Attachment 6: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of 31 December 2024

Related party	Counterparty	Relationship	Amount	Average amount turnover	Overdue account receivable-related parties		Amount received in subsequent period	Allowance for doubtful debts	Note
					Amount	Processing method			
The Company	Kuo Yang Environment Technology Co., Ltd.	Subsidiary	Accounts receivable \$504,774 Other receivables – interests receivable \$74,194	18.64%	\$-	-	\$35,166	\$-	(Note 1)
Marvel Line Co., Ltd.	Xiamen Guoxin Century Technology Co., Ltd.	Subsidiary of Marvel Line Co., Ltd.	Long-term accounts receivables -financial accommodation \$253,821 Long-term accounts receivables – interests receivable \$94,831	-	-	-	-	(222,656)	(Note 2)

(Note 1) The above transactions were all made between consolidated entities in the Group and have been reversed.

(Note 2) Xiamen Guoxin Century Technology Co., Ltd., is included in the Group's affiliated companies (Note VII (Note 1)). The transactions were disclosed until the day of losing control, and the transactions between related parties were not eliminated in the preparation of the consolidated financial statements since the day of losing control.

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2024, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2024: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2024			Net income (loss) of investee company	Investment income (loss) recognized (Note 2)	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value (Note 1)			
The Company	Kuo Toong International LLC. (Note 4)	Delaware, USA	Engaged in reinvestment holding activities	\$435,020	\$23,625	13,530,000	100.00%	\$681,871	\$21,861	\$21,861	(Note 6)
	Hsiyu Seawater Desalination Co., Ltd.	Zuoying district, Kaohsiung	Tap water management, piping engineering, automatic control equipment engineering, mechanical installation, etc.	117,000	117,000	11,700,000	100.00%	47,731	805	805	(Note 6)
	Jie Mao International Co., Ltd.	Zuoying district, Kaohsiung	Building materials wholesale, building materials retail, international trade and machinery wholesale, etc.	109,000	109,000	10,900,100	100.00%	79,128	7,693	7,693	(Note 6)
	Kuo Hsin Technology Co., Ltd. (Note 3)	Zuoying district, Kaohsiung	Chemical material manufacturing and water supply management	316,500	316,500	31,650,000	73.60%	47,173	(4,203)	(3,093)	(Note 6)
	Jian-yi Construction Co., Ltd.	Zuoying district, Kaohsiung	Construction, dredging, sandstone and silt sea dumping, wholesale of building materials, housing and building development and rental etc.	274,235	274,235	27,000,000	100.00%	271,736	(89)	89	(Note 6)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2024			Net income (loss) of investee company	Investment income (loss) recognized (Note 2)	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value (Note 1)			
The Company	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	\$5,319	\$5,319	183,488	0.50%	\$3,425	\$21,960	\$110	(Note 6)
	Ding Teng Co., Ltd.	Zuoying district, Kaohsiung	Energy technology services, water supply management, machinery, equipment manufacturing and installation piping engineering, other environmental sanitation and pollution prevention services, etc.	1,363,692	1,363,692	98,272,152	50.50%	1,772,494	147,625	75,060	(Note 6)
Jie Mao International Co., Ltd.	Kuo Chuang Engineering Co., Ltd.	Zuoying district, Kaohsiung	Water supply management and piping works, etc.	60,000	60,000	6,000,000	100.00%	79,225	7,738	7,738	(Note 6)
Kuo Toong International LLC.	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	1,135,485	731,352	36,747,211	99.50%	681,656	21,960	21,850	(Note 6)
Ding Teng Co., Ltd.	Kuo Yang Environment Technology Co., Ltd.	Miaoli County	Machinery installation, other environmental sanitation and pollution prevention services, etc.	2,697,221	2,697,221	276,080,065	100.00%	3,513,443	146,995	146,995	(Note 6)

(Note 1) The book value of the investment using the equity method is the net amount after deducting the unrealized gains and losses of downstream transactions.

(Note 2) The investment income recognized for this period included unrealized gain or losses.

(Note 3) On 20 May 2022, the Board of Directors resolved to suspend operations and the National Taxation Bureau of Kaohsiung, Ministry of Finance, approved the application for suspension of operations from 1 August 2022 to 31 July 2023 on 29 July 2022, and the cessation of business was approved on 5 July 2023 to be extended to 31 July 2024, and the application for re-commencement was approved by the National Taxation Bureau of Kaohsiung, Ministry of Finance, on 16 November 2023.

(Note 4) Kuo Toong International LLC. conducted cash capital increases of NT\$400,188 thousand on 26 September 2024, and NT\$11,207 thousand on 9 December 2024, all of which were subscribed by our company, maintaining a 100% shareholding ratio.

(Note 5) Kuo Toong International LLC. passed board resolutions on 9 August 2024 and 8 November 2024 to increase the capital of its subsidiary, Marvel Line Co., Ltd., by USD 12,500 thousand and USD 350 thousand, respectively. All shares were subscribed by Kuo Toong International LLC., raising its ownership percentage to 99.50%. The company did not subscribe according to its ownership percentage, resulting in a decrease to 0.50%. The Group holds a total of 100.00%.

(Note 6) The above transactions were all made between consolidated entities in the Group and have been reversed.

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of 1 January 2024	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2024	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of 31 December 2024	Accumulated Inward Remittance of Earnings as of 31 December 2024	Note
					Outflow	Inflow							
Xiamen Guoxin Century Technology Co., Ltd.	Design, research, manufacturing, etc. of equipment and materials for seawater desalination and sewage treatment projects	\$445,300 (CNY 100,000 thousand)	(1) Marvel Line Co., Ltd.	\$475,279 (USD 14,519 thousand)	\$-	\$-	\$475,279 (USD 14,519 thousand)	\$-	91.00%	\$-	\$-	-	(Note 2)
Fujian Taiming Casting Pipes Technology Co., Ltd.	Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipes, various pipe fittings, fittings and precision casting products manufacturing	2,596,580 (CNY 583,108 thousand)	(1)、(2) Xiamen Guoxin Century Technology Co., Ltd. (Note 3)	779,519 (USD 23,813 thousand)	-	-	779,519 (USD 23,813 thousand)	-	28.63%	-	-	-	(Note 2)

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 5)
\$1,447,182 (USD44,209 thousand) (Note 4)	\$1,447,182 (USD44,209 thousand) (Note 4)	\$4,831,435

(Note 1) The methods of investment are divided into three categories:

(1) Indirectly investment in Mainland China through companies registered in a third region. (2) Reinvest with funds of the mainland China company (3) Other

(Note 2) It was reclassified as financial assets measured at fair value through other comprehensive income for the year ended 31 December 2022.

(Note 3) The accumulated investment outflow of the Company from Taiwan amounted to USD 23,813 thousand (converted to NTD779,519 thousand); the accumulated indirect investment in Mainland China (Xiamen Guoxin Century Technology Co., Ltd.) from the Company amounted to CNY40,000 thousand (converted to NTD178,120 thousand).

(Note 4) The amount of reinvestment in the mainland area includes Xinjiang Guotong Pipeline Co., Ltd., Harbin Guotong Pipeline Co., Ltd. and Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.

(Note 5) According to the “Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China” enacted on 22 August 2008 and “Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China”, the cumulative amount of investors’ investment in mainland China depends on the upper limit of other enterprises: 60% of the net value or a combined net value, whichever is higher.

(Note 6) This exchange rate of USD to New Taiwan dollars was based on 32.735 as of the end of December 2024 as announced by the Company.

This exchange rate of CNY to New Taiwan dollars was based on 4.453 as of the end of December 2024 as announced by the Company.